

Executive summary

Austria's environmental performance generally meets high standards

Austria's water quality is among the world's best, thanks to the very large share of population connected to high-standard wastewater treatment plants. About 28% of the land area is under some form of nature protection. Nearly a fifth of the agricultural area is under organic farming, the highest share in the EU. This, together with uptake of environment-friendly agricultural practices, has helped reduce the impact of agriculture on the environment, including intensity of fertiliser use and nutrient surplus. Material and resource productivity of the economy has improved. An effective waste management policy has contributed to this result through high and growing rates of material recycling and waste recovery. The carbon intensity of the Austrian economy remains low by international standards, owing to the large use of renewable energy sources and the relatively low energy intensity.

However, some environmental pressures remain of concern

The rate of soil sealing for housing and infrastructure development has outpaced population growth and the national target, putting pressure on natural areas and ecosystems. As a large share of the territory is mountainous and forested, the population is concentrated in river valleys and basins, which tend to be prone to natural hazards. Extensive flood protection measures and intensive use of hydropower have exerted ecological pressures on rivers and lakes. Exposure to air pollution in some urban areas is persistently high. Road transport is the major source of air pollution, largely due to the high and increasing share of diesel in the vehicle fleet, urban sprawl and related commuting patterns, and the high volume of international and transit freight traffic. Road transport is also the second largest source of greenhouse gas emissions. Despite a decline, these emissions remain above the 1990 level and Austria's Kyoto target.

Austria has a long history in environmental policy

Austria has established a comprehensive framework for sustainable development. However, despite co-ordination efforts, the coexistence of two sustainability strategies has created uncertainty and hindered effective mainstreaming of sustainable development in policy areas other than environment. Austria compares well with other countries in

contributing to the development of EU environmental legislation and in implementing it. However, the partial law-making and implementation autonomy of the *Länder* has resulted in a relatively fragmented body of environmental legislation, and inconsistencies in implementation and enforcement. Developing a national environmental inspection system could provide the basis for establishing a more level environmental playing field. Austria has a well-developed system to measure environmental performance and well-being, and to assess environmental and other policies, but there is little evidence that assessment and monitoring tools have systematically informed decision making. Austria features extensive stakeholder participation in policy making by means of its unique “social partnership” and active environmental organisations.

Regulations, standards and environmentally motivated subsidies remain at the core of the Austrian environmental policy mix

A long-standing, comprehensive support policy has encouraged environment-friendly investment. However, questions remain about the extent to which such investment would have been made anyway, potential windfall profits, technology lock-in and rebound effects. Fragmented responsibilities between levels of government and lack of co-ordination are also a potential source of inefficiency.

The use of economic instruments such as taxes and charges has been extended

Revenue from environmentally related taxes accounts for a larger share of GDP and total tax receipts than on average in the OECD. However, energy tax rates do not consistently reflect the environmental externalities of fuel use. Tax rates on petrol and diesel are below the EU average, which has contributed to so-called “fuel tourism”. While Austria has cut some tax breaks on energy use, other subsidies remain that have a potentially negative impact on the environment and are socially regressive. These include subsidies that encourage ownership and use of private cars and urban sprawl. Austria would benefit from a broad “socio-ecological tax reform” to provide a consistent carbon price signal across the economy, reform environmentally perverse subsidies, reduce the relatively high taxes on labour and promote growth and employment.

Austria has launched several initiatives related to green growth, mostly focused on “green jobs”

The combination of a robust environmental policy framework and substantial financial assistance has fostered the development of a strong environmental goods and service sector (EGS) sector and has put Austria among the most eco-innovative countries. Some evidence exists that the EGS sector has contributed positively to job creation. Austria should broaden the policy focus from promoting green jobs to enhancing labour market capacity to adapt to the structural changes involved in the transition to green growth. In part this would involve co-ordinating policies on environment, labour market and innovation.

*Management of the risks associated
with chemicals takes place mainly
in the framework of EU legislation and policy*

Austria has adopted a proactive approach to chemicals policy, both domestically and within the EU, which has also involved promoting “green chemistry” and pioneering chemicals leasing. Inter-institutional co-operation for designing and implementing chemicals legislation is smooth, and co-operation between industry and government is particularly strong. Implementation of the EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) will be a major challenge for chemical companies in Austria and other EU countries. More could be done to target support to small and medium-sized enterprises and to further streamline administrative requirements. There is scope to strengthen enforcement capacity in the *Länder* and enhance efficiency and effectiveness of inspection activity, and of chemicals management more generally.

*Austria has a comprehensive, effective
and well-funded system for managing
natural hazards, mainly floods*

While this provides a good basis for responding to some of the effects of climate change, enhanced co-operation between the federal government and the *Länder* is necessary. Austria’s National Adaptation Strategy, approved in 2012, is one of the most comprehensive in the OECD. Its development built on strong domestic research capacity and on extensive stakeholder engagement. There is, however, a need to extend and deepen political and administrative support for climate change adaptation at all levels of government, to clearly define responsibilities and arrangements for implementation, and to establish a robust monitoring and evaluation system. Given pressures on public finances, securing adequate financing is a challenge. It will be important to explore the full range of potential funding sources, including increased recourse to insurance markets and public-private partnerships. At present, neither individuals nor businesses bear the full cost of their exposure to climate risk, which effectively acts as a subsidy for high-risk areas.



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