Auditing MBIs

Examples from OAG’s performance audits

EUROSAI WGEA
<table>
<thead>
<tr>
<th>Name of performance audit</th>
<th>Type of MBI audited</th>
<th>Instrument in question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigation into <strong>target achievement in climate policy</strong></td>
<td>Charges, taxes and levies</td>
<td>Co2 tax</td>
</tr>
<tr>
<td></td>
<td>Tradable permits</td>
<td>Emission trading scheme</td>
</tr>
<tr>
<td>Investigation into the Norwegian Authorities’ Control of the <strong>Norwegian Emissions Trading System</strong></td>
<td>Tradable permits</td>
<td>Emission trading scheme</td>
</tr>
<tr>
<td>Investigation into the management of <strong>hazardous waste</strong></td>
<td>Deposit refund systems</td>
<td>Producer responsibility systems (EE-waste) Reimbursement schemes for waste oil</td>
</tr>
<tr>
<td>Investigation of sustainable management of <strong>Norwegian forest resources</strong></td>
<td>Subsidies, incentives</td>
<td>Forest funds and grants for sustainable forest management</td>
</tr>
<tr>
<td>Investigation of the authorities' efforts to achieve the goals concerning <strong>organic agriculture</strong></td>
<td>Subsidies, incentives</td>
<td>Grants and subsidies for organic agricultural production</td>
</tr>
<tr>
<td>Investigation of grants for <strong>natural diversity and outdoor recreation</strong></td>
<td>Subsidies, incentives</td>
<td>Grants for fish and game-related measures, and water environment and outdoor recreation measures</td>
</tr>
<tr>
<td>Investigation of the authorities' efforts to ensure good <strong>air quality in urban areas</strong></td>
<td>Subsidies, incentives</td>
<td>Reward system for public transport for municipalities</td>
</tr>
</tbody>
</table>
Objective of the investigation

- Assess goal achievement in relation to Norway’s international climate commitments under the Kyoto Protocol

Main findings

- National policy instruments have helped to curb emissions growth, but have not reversed the trend of growing emissions
- Emissions are expected to continue to increase given the policy instruments adopted at present
MBIs covered in the audit

Carbon tax (Co2 tax)

- **Purpose of MBI**
  - Co2 tax will contribute to cost-efficient emission reductions

- **Audit findings**
  - The tax has contributed significantly to curbing the increase in emissions from the petroleum sector

  - Has not contributed much to reducing emissions in other sectors
    - The level of the tax has increased little over the last decade
    - The tax is differentiated across sectors and energy type
    - Many businesses have tax exemptions
MBIs covered in the audit

Norwegian Emission Trading Scheme

- **Purpose of MBI**
  - Flexible mechanism will make it cheaper to achieve the climate policy targets

- **Main findings**
  - Enterprises' purchases through the emissions trading scheme will probably ensure that the Kyoto Protocol commitment is met
MBIs covered in the audit

Norwegian Emission Trading Scheme

- Audit findings
  - First phase (2005-2007):
    - Limited scope of the emissions trading scheme (11% of emissions)
    - Over-allocation of allowances
    - Extremely low prices.
    - Increased scope (36% of emissions)
    - Low prices
    - No calculation of expected impact on domestic emission reductions
    - Uncertain effects of CDM purchases
Methodology

Methods applied for evaluating MBIs

- Collected and analysed statistics on purchases and prices of emission allowances
- Report on CDM mechanism conducted by Econ Pöyry AS
- Document review
- Interviews
The Office of the Auditor General’s investigation into the management of hazardous waste Document 3:7 (2011-2012)

- **Objective of the investigation**
  - Evaluate the authorities’ work on ensuring the proper handling of hazardous waste

- **Main findings**
  - A lot of EE waste is not collected
  - Many involved parties do not comply with the regulations for the delivery and proper handling of hazardous waste
  - Limited supervisory activities to uncover illegal export of hazardous waste
    - Illegal waste export from Norway goes to countries outside the EU/EEA area that do not handle the waste properly
MBIs covered in the audit
Producer responsibility scheme for EE waste

- **Purpose of MBI**
  - Enterprises made responsible for the collection, treatment and recovery of waste from their own products
    - Encourages improved quality and easier recovery

- **Audit findings**
  - Producer responsibility schemes help to increase the collection rate, but neither the collection of nor the removal of hazardous components from EE waste is satisfactory
    - Authorities do not have overview over how much EE waste is generated
    - Weaknesses in authorities' follow-up and control of the schemes
    - New products and internet imports pose a challenge
    - Many distributors do not comply with duty to provide information to consumers
MBIs covered in the audit

Reimbursement schemes for waste oil

- **Purpose of MBI**
  - Encourage increased handing-in waste oil for approved treatment

- **Audit findings**
  - Many facilities fail to comply with regulations of sample collection, volume measurement and record-keeping
    - Risk that facilities receive inflated reimbursements

  - Use of document control to check that reimbursement claims are in line with the regulations
    - However, there are circumstances that only can be revealed through inspection of facilities – risk that these are not detected
Methodology

Methods applied for evaluating producer responsibility and reimbursement schemes

Assistance from consulting firm Mepex AS

- Carried out waste stream analysis and calculated amounts of hazardous waste in selected waste fractions
- Examined the quality of waste declarations and reception control
- Inspection of seven waste oil facilities entitled to reimbursement

- File review
  - Summaries of inspection reports
  - Case files of waste oil treatment facilities
The Office of the Auditor General's investigation of the authorities' efforts to achieve the goals concerning organic agriculture
Document 3:7 (2015-2016)

- **Objective of the investigation**
  - Assess whether the Ministry of Agriculture and Food, through its management and use of policy instruments, has facilitated attainment of the 15 % target on organic production and consumption in 2020

- **Main findings**
  - Organic production and consumption are far from reaching targets
  - Stimulation measures are insufficient in order to stimulate farmers to shift to organic production, or prevent withdrawal from farmers currently involved in organic agriculture
## MBIs covered in the audit

### Subsidies/ grants

#### Overview of subsidies/grants for organic agricultural production

<table>
<thead>
<tr>
<th></th>
<th>Producer</th>
<th>Processing industry</th>
<th>Distribution/wholesale</th>
<th>Grocery trade</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production subsidy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- husbandry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Production subsidy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Organic production per acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subsidy for transition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to organic production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Development grants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subsidy for price reduction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MBIs covered in the audit

Subsidies/ grants

- **Purpose of MBI**
  - Stimulate organic agricultural production

- **Audit findings**
  - The subsidies have been restructured
    - The subsidy for transition to organic production is being phased out
    - The rates for organic production per acre are reduced – affecting majority of organic farmers
  - The rates for animal husbandry are increased – affecting a minority of organic farmers
MBIs covered in the audit

Charges/fees

- **Purpose of MBI**
  - Farmers with organic agricultural production pay a fee for being included in the control regime

- **Audit findings**
  - The fees increased by 39% 1\textsuperscript{st} January 2014
  - Agricultural authorities state that the fee does still not cover the real management costs
MBIs covered in the audit

Methods used for evaluating MBIs

- Survey data from consulting firm Vista Analyse
  - Based on questionnaire to 4283 conventional and organic producers

- Questionnaire to County Governors on their views on the various stimulation measures

- Statistics

- Interviews