

Extended Producer Responsibility: A new trend in Sustainability



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No one today denies the necessity for sustainable business practices. Even those considering "business for business" and not being worried for the fate of the planet recognize that the viability of business depends on the resources of healthy ecosystems – clear air, fresh water, productive land, robust biodiversity – and on the stability of societies. Although the companies have launched inspiring initiatives, the negative impacts of businesses continue to grow, and Azerbaijan is not an exception. In 1987, the Bruntland Commission came up with a concept called "Sustainable Development" to combat environmental and social issues the world was facing. The commission defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Sustainable development integrates in itself 3 dimensions: economic, ecological and social, i.e. sustainable development does not only cover ecological problems, but includes problems with unequal access to natural resources for people across the world culminating in malnutrition, poverty, gender balance, resource efficiency etc. There is a growing tendency for businesses to be accountable for their impact on the environment, economy and society, hence the exponential growth in the importance of Corporate Social Responsibility (CSR) for businesses.

Today most developed and developing countries have adopted national sustainable development strategies. Countries like Iceland, Switzerland, Germany, Belgium, France, Costa Rica, Canada, Mauritius and Australia have already integrated sustainability considerations into their overall strategies. The Azerbaijani government has also been taking measures to mitigate the negative impacts of economic activities in the country. Azerbaijan signed the United Nations Framework Convention on Climate Change (UNFCCC) in June 1992 and ratified it in January 1995. In May 1995 it became a Party to the UNFCCC. In 1997, Azerbaijan adopted the Kyoto Protocol during the UN 3rd Conference on Framework Convention, and it was ratified on 18th July of 2000. Inside-state ratification procedures have been launched by the Azerbaijani



government for Doha amendment of the Kyoto Protocol while the Third National Communication is under preparation due to be finalized by 2015. Furthermore, in 1994, Azerbaijan joined Energy Charter, which was ratified in 1997. Since then Azerbaijan has prioritized and identified development priorities as part of its national sustainable development strategies, poverty reduction strategies, and sector policies. These strategies are reflected in long term State programs such as:

- State Programme on Utilization of Renewable and Alternative Sources of Energy (2008-2015)
- State Programme for the Development of Fuel Energy Complex (2005-2015)
- State Programme on Environmentally Sustainable Socio – Economic Development (2003)
- Azerbaijan – 2020: "Vision to future" Development Conception, etc.

Alongside the government, companies operating in Azerbaijan have also begun to understand the importance of being accountable and responsible for their businesses. Encouragingly, there is now a progressive interest from the general public as people start to grasp the severe impact of sustainable development issues, not just their everyday life but, the long term future as well. As a result, there is a continuing intense pressure on businesses to adhere to, and address, sustainability issues.

Solid waste generation is one of the most visible consequences of population growth, economic growth and urbanisation. The



management of this waste represents one of the most profound, multifaceted sustainable development challenges faced today in terms of its connection with public health protection and resource management agendas. In addition, emerging markets are confronted with challenges stemming from the lack of a proper regulatory framework; proper infrastructure and a means of public financing are huge challenges in terms of changing the behaviour of citizens and companies inside the country. Hence, public and private stakeholders must respond to this unprecedented challenge, both through economic and regulatory reform to better incentivise adherence to the waste management hierarchy and through infrastructure investment to secure the economic, environmental and public health benefits of

recycling, energy recovery and safe landfill disposal; all this whilst sustaining, and not hampering, a level playing field in the market. Let's take plastic as an example. For the production of plastic an incredible amount of fossil fuels is used. According to estimates the figure is around 8% of the world's oil production, 4% of which is actually used in energy consumption for producing plastic. To make the picture clearer, it takes about $\frac{1}{4}$ of a liter of oil to produce a 1 liter water bottle. This is a big problem as the resources are not infinite. And this is only the production stage of plastic. Just in Azerbaijan in the last 3 years 29,223.8 tons of plastic bags and 68,894 thousand units plastic bottles were produced (State Statistics Committee of Azerbaijan, 2014, see table below).

Product name	Unit	Years		
		2011	2012	2013*
Plastic sacks and bags except polyethylene	ton	9946.6	9953.8	9323.4
Plastic boxes, bags, crates and similar articles of retina	ton	79.4	27.2	21.7
Bottles (2 liters and less)	thousand units	21842.6	38445.5	8571.3
Bottles (more than 2 liters)	thousand units	39.5	-	22.1
Plastic lids and caps for bottles	ton	1.3	16.8	7.8
Plastic dinnerware and kitchen utensils	ton	178.2	228	200.3

*except individual entrepreneurial activities



Considering that only 20-25% of the plastic products are recycled, it is dreadful to imagine what is happening with the thousand tons of wasted plastic. The plastic waste is not biodegradable, it is just breaking down into microscopic pieces and entering the food chain (e.g. fish) and releasing chemicals into the ecosystems. These pieces are digested by fish and retained within their digestive system, slowly absorbing chemicals into their bodies. Furthermore, research shows that the plastic surface of these pieces is absorbing chemicals from the surrounding water. Persistent organic pollutants are being found in concentrations on marine plastics in several orders of magnitude higher than they are free in the water.

In the last 15 to 20 years a variety of economic instruments have been developed and implemented with a varying level of success rate in a growing number of countries to cope with these challenges.

World organizations like the UN, IFC, Greenpeace, OECD have already been preparing new programs for controlling and preventing pollution of the environment and a lot of mechanisms and instruments are being investigated and developed. These programs help to establish sustainable construction, sustainable transport, waste management, product policies and lead to increased resource efficiency with regard to waste. One of the most successful frameworks designed for the protection of environment via improved waste management system is Extended Producer Responsibility (EPR). The definition of EPR as described in the 2001 OECD EPR Guidance Manual states that "EPR is an environmental policy approach in which a producer's (producer and importer) responsibility, physical and/or financial, for a product is extended to the post-consumer stage of a product's life cycle. There are two related features of EPR policy: (1) the shifting of responsibility (physically and/or economically; fully or partially) upstream to the producer and away from municipalities, and (2) the provision of incentives to producers to incorporate environmental considerations in the design of their products."

Within the broad set of policies that fall under the definition of the EPR framework, waste reduction is a common theme, with varying emphasis on other goals such as conserving raw materials, reducing environmental damages from the production process and encouraging environmentally friendly product design.

The 2001 OECD EPR Guidance Manual also states that EPRs can be implemented by using one of three basic categories of instruments: take-back requirements, economic instruments and

performance standards. Economic instruments include incentive-based instruments such as deposit/refund, advance disposal fees, material taxes and the upstream combined tax/subsidy.

Today, the OECD has launched a new working party on resource productivity and waste with the aim to corroborate what has been done so far in the field of EPR across OECD and non-OECD countries, and to develop a new guidance manual. EY is acting as a consultant and expert member of the OECD project.

The benefits of EPR include:

- Reducing the number of landfills and incinerators and their accompanying environmental impacts
- Reducing the burden on municipalities for the physical and/or financial requirements of waste management
- Fostering recycling and reuse of products or parts thereof
- Improving the ease and timeliness of disassembling products for recycling or reuse
- Reducing or eliminating potentially hazardous chemicals in products
- Promoting more efficient use of natural resources
- Improving relations between communities and firms
- Encouraging more efficient and competitive manufacturing
- Promoting more integrated management of the environment by placing an emphasis on the product's life cycle
- Improving materials management

EPR seeks to extend responsibility so as to give producers appropriate incentives and signals concerning the environmental impacts of the product. Well-conceived EPR programs could therefore help reduce environmental pressure from a particular product, product group or waste stream. Countries like, Japan, Canada, Belgium, Switzerland, Germany already have successful EPR policies and models.

As in other fast growing economies, the economic growth and consumption increase by households and companies in Azerbaijan, are creating negative environmental externalities and result in suboptimal use of raw materials and energy.. The Azerbaijani government has launched several initiatives to tackle the growing waste dilemma. On September 28, 2006, a decree was implemented and approved under the title "The Complex Plan of Measures for Improvement of Ecological Situation in the Republic of Azerbaijan for 2006-2010" by the

President of the Republic of Azerbaijan, in response to the existing ecological problems in Absheron region. This complex plan of measures has a big importance for the enhancement of environment in Baku and Absheron peninsula. To implement these measures, under the auspices of the Ministry of Economic Development in 2009 “Tamiz Shahar” (“Clean City”) JSC was established and entrusted with the function of management, placement and disposal of household waste in accordance with modern standards, carrying out this process in an organized manner, as well as improvement of environmental situation in Baku and development of this field based on the principles of market economy.

In June 2009 UNDP started assisting the Azerbaijani government to improving its waste management system under the project “Solid waste management: Cleaner, Safer, Greener”. The project assisted developing the National Strategy on reduction, recycling and reuse (RRR) of the solid wastes. The data-bank was established to store data on quantity and content of solid wastes in the country. These accomplishments are considered valuable instruments for gauging the implementation of current Solid Waste Management (SWM) policies. A pilot project was carried out in Ismayilly district focusing on the recycling of plastic waste. Consequently, it became a model for replication in other districts (UNDP, 2009).

We can see how efficient solid waste management systems can bring positive results. Although Azerbaijan has undertaken these steps in focusing on proper waste management, it must be observed that the regulatory frameworks, their implementation and enforcement, in the country still require serious improvements in order to initiate an efficient and effective approach leading to a sustainable waste management model, while safeguarding and protecting a level commercial playing field, changing the behavior of the consumers and users of the products, developing proper infrastructure, and aligning and creating a waste management market in which all relevant stakeholders receive the right incentives and take up their responsibilities in an enforced and controlled manner. From this perspective, adopting and implementing an efficient and effective EPR model could be the way to prevent further waste contamination and create resource efficiency. If well balanced with other strategic issues and challenges such as energy conservation, it will provide an important step in creating a more sustainable society in Azerbaijan. ■

Authors' biographies

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