

# WHAT IS A GOOD MV&E SYSTEM?

Mark Ellis

# Context



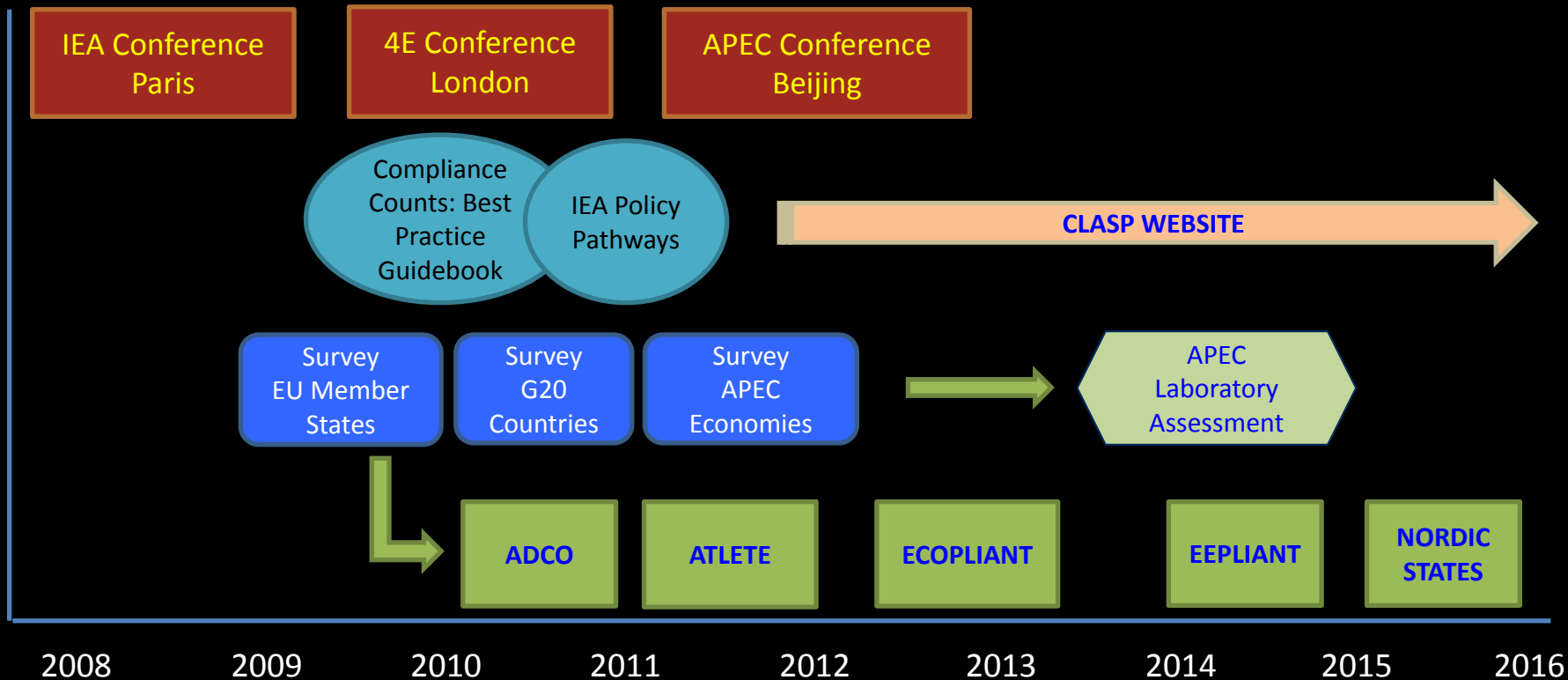
## Before 2008

- COMPLIANCE was not an issue discussed by S&L programs openly
- The understanding of different compliance options was poor
- No guidance available to new programs
- Very little transparency or enforcement

## Now

- COMPLIANCE is on the agenda in most discussions on S&L Programs
- Legal foundations have changed/improved, budgets have increased, more rigor
- Best practice information available to all

# History of collaborative MV&E Activities



# Australia's contribution

- Historically, Australian MV&E system has been one of the best
- Australia has been pro-active in passing on experiences to other countries
- GEMS Act provides a great framework for MV&E
- However emerging opportunities to learn from others

# Deterrence theory

Same principles apply to 'Best Practice' compliance regimes in many sectors:

“20% of the regulated population will automatically comply with any regulation

5% will attempt to evade it

and the remaining 75% will comply as long as they think that the 5% will be caught and punished.”

# Compliance best practice

There must be a credible likelihood of detecting violations

Swift, certain, and appropriate sanctions upon detection

A **perception** among the regulated firms that these detection and sanction elements are present

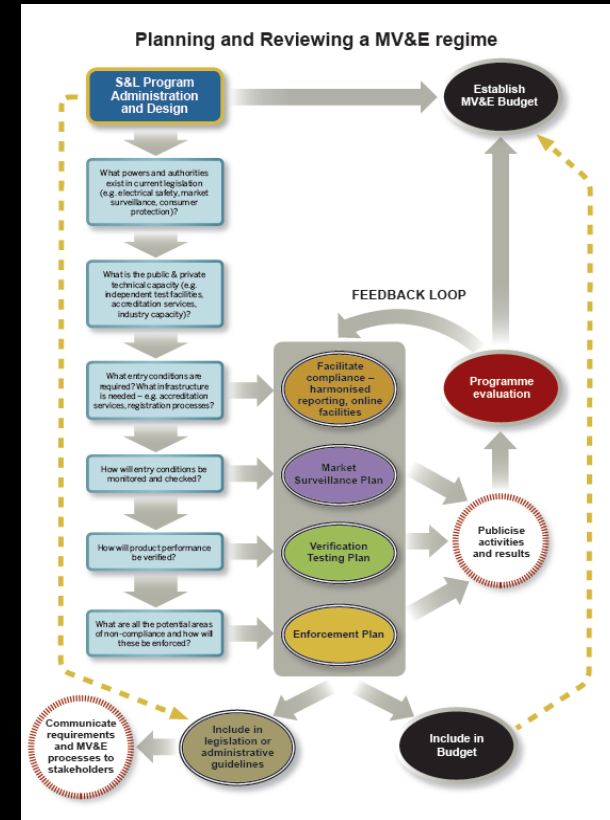
# Steps to encourage compliance

1. Make sure all stakeholders understand their obligations
2. Make it simple to demonstrate compliance
3. Increase the risk that instances of non-compliance will be discovered
4. Take corrective action quickly to minimise damage (to all)
5. Make penalties proportional to the extent of transgression but sufficient to be an effective deterrent
6. Ensure corrective action is visible - to deter others

# Key elements of compliance regimes

- Mechanism to facilitate compliance
- Market surveillance
- Verification
- Enforcement
- Communication
- Legal and administrative
- Budget and resources
- Evaluation processes

Effective compliance regimes include all of these related elements





# World's best practice?

- There is no single best practice!
- Systems needs to suit the legislative & administrative framework, culture, institutional capacity, etc
- Lots of different options for how do things well

# Priorities

- Make sure everyone knows what they should be doing
  - Cheapest way to improve compliance
- Make it easy to demonstrate compliance
- Maximise the profile of all MV&E activities to highlight risks
- It's a system – don't focus only on one element

# How to make it better



# Current global MV&E snapshot

- Poor communication to suppliers/retailers regarding obligations
  - How to reach offshore suppliers?
- Expensive laboratory tests
  - We need very accurate tests to support enforcement actions
  - But do we need the same level for accuracy for screen tests?
- Lack of profile for MV&E
- Slow speed of response to transgressions
  - Cases caught up in paperwork –product vanished from the market
- Too few enforcement options for minor transgressions
  - Need for swift resolution, minor effort – move on!

# Issues for Australia

- Reach offshore suppliers/importers
- Speed up verification & enforcement processes
- Reduce transaction costs to demonstrate compliance
- Higher profile for enforcement

# Outreach to offshore suppliers

- Products arrive in Australia from an increasingly diverse range of suppliers and many countries
  - Many suppliers do not understand their obligations or how to demonstrate compliance
- **Can we improve communications?**
  - Work through overseas trade/industry associations
  - Provide translated information

# Speed up the process

- *Why?*
  - Delays can mean non-compliant products continue to be sold
- **Verification testing**
  - Can we commission labs better?
  - Can we do simpler initial screen tests?
- **Enforcement**
  - Are we using the full range of options in the GEMS Act to get quick resolution?

# Reduce transaction costs

- Many products imported into Australia
  - Must complete import documentation
- To be sold, all required to register for energy efficiency @ [energyrating.gov.au](http://energyrating.gov.au)
- Can we combine these processes into one?
  - Cf. Canada



# Higher profile for enforcement

- Enforcement:
- Can be used to penalise the single transgressor

*or*

- Can be a deterrent to ALL SUPPLIERS

Which is the best deterrent?



# Why International Collaboration?

# The value of international collaboration

## 4 main areas of potential collaboration:

1. Sharing ideas on processes, design, smart ways of going things
2. Collaboration on market surveillance - agreed products to targets, etc
3. Increasing effective capacity by sharing laboratory expertise, targeting investments, etc
4. Shared results to help countries identify potential non-compliant brands/products.

# Regional collaborations in practice

- Joint market surveillance
  - Economies of scale and avoidance of duplication reduces costs
  - Improved technical expertise, more experienced staff & better targeting
- Shared testing resources
  - Increase the market size for public & private facilities
- Regional enforcement policies
  - Consistency of approach
- Shared results
  - Target products/brands found to be non-compliant elsewhere

- Collaboration is happening regionally
  - EU Member States, APEC
  - Alignment with trade agreements
  - Existing MRAs
  - Greatest similarity of test methods – performance requirements – culture