

US EPA ARCHIVE DOCUMENT



1. Introduction

This report is designed to be a comprehensive compilation of the available information on Project XL results and its progress in innovation and system change. It presents technical and policy information on a series of specific topics that will be the basis for detailed exchanges among EPA staff and between the Agency and its constituencies.

Mission and History

In 1995 the Clinton Administration announced its portfolio of reinvention initiatives, setting the stage for the evolution of the next generation of Federal environmental policy. Drawing upon the lessons learned over the past 25 years, the President charged the Federal government with finding new ways to substantially improve the existing regulatory system, and to take significant steps toward a new and better environmental management system for the 21st Century. Project XL, which stands for eXcellence and Leadership, is part of this reinvention portfolio.

Project XL provides the U.S. Environmental Protection Agency (EPA) with a valuable forum for testing and analyzing experimental, innovative approaches to environmental management. Through this program, EPA works with a broad array of stakeholders to seek out and test solutions, and transfer individual innovations to a broader application across the Agency. EPA enters into a series of specific project agreements that have been negotiated with project sponsors (i.e., private and public sector facilities, States, industrial sectors, and local communities), and State, Tribal, and local regulators, with the involvement of other stakeholders such as environmental organizations and local citizens. EPA's goal is to implement projects covering a wide range of innovations in how the Agency does business, including the regulations, processes, policies, and operations the Agency uses to perform its mission. Project XL presents a unique opportu-

Project XL's mission is to design, test, and implement the next generation of environmental management.

Project XL:

- Allows the Agency to experiment with alternative approaches within current regulatory authorities.
- Develops and tests holistic, multi-media, or sector-based approaches to address environmental problems that cross statute, media, State, and regional boundaries.
- Tests and implements technological advances that provide new options for meeting environmental standards and allow environmental problems to be addressed.
- Leverages the expertise, experience, and resources of the regulated community, coregulators, and stakeholders in identifying better Federal approaches to environmental protection.
- Supports and advances the evolutionary shift in protecting the environment through pollution control, to include broader issues and approaches, such as pollution prevention and sustainability.

nity for a variety of project sponsors to design alternative approaches that can achieve substantial environmental and economic benefits.

Since its beginning, Project XL has experienced challenges in the development, negotiation, and implementation of Final Project Agreements (FPAs). As a regulatory agency, EPA had never before attempted this type of experiment, and thus its approach to implementing Project XL had to be developed on a learning curve. EPA and others had concerns about how to test new approaches and yet still maintain the same level of protection provided by the current regulatory system. Project sponsors, regulators, and public stakeholders made significant resource and time commitments in order to participate in Project XL's creative and complex experiments. Through various forums assessing its ongoing challenges, the program evolved to include many improvements in its policies, definitions, and processes. For example, in 1998, using a cooperative reengineering approach, EPA, industry representatives, environmental organizations, States, and other interest groups worked hard to streamline the proposal development and negotiation process by reducing "transaction costs" and improving stakeholder involvement. Through the reengineering process and ongoing experience, EPA continues to learn a great deal about how to run an "innovation program" like Project XL.

Ultimately, 1998 was a watershed year for Project XL. The program signed its tenth FPA; the projects already underway documented tangible results. In 1999, EPA has gained revived interest in the program—new ideas with real potential to become XL projects are being generated by interested parties. As of August 1999, Project XL has 14 projects in implementation, and 31 project ideas under development and negotiation. Another 10 projects for which EPA has high expectations are in the preproposal stage.

Focus on Innovation and System Change

Innovation—*An action that starts or introduces something new or creative.*

System Change—*To make different, or alter, organizational forms, processes, policies and operations.*

For project participants, the potential rewards of Project XL are in the outcomes of the demonstration pilots. These rewards include superior results for the local environment and the community, and substantial operational or financial benefits for the project sponsor. But overall, the potential benefits of Project XL extend beyond these individual projects. Through the work of the project participants, and in consultation with Agency constituencies, EPA intends to incorporate successful innovative approaches into the current system of environmental protection. With this report, EPA has begun to systematically describe the status of pilot projects, and to analyze innovations in core functions that may lead to system change. EPA expects to develop this analysis in subsequent, more in-depth, future reports. EPA will consult with a broad array of stakeholders to assess which innovations should be adopted and which should not and make adjustments in the Agency's rules, regulations, policies, and guidances, accordingly.

Core functions are the different processes and operations that EPA must perform to carry out its mission to protect human health and the natural environment. So far Project XL has addressed seven core functions:

- regulations,
- permit reform,
- environmental information management,
- enforcement and compliance assurance,
- environmental stewardship,
- stakeholder involvement, and
- Agency culture changes.

Project XL is one of many reinvention initiatives that EPA is conducting, nationally and regionally, to improve well-established programs and find fundamentally new approaches for the future. For example, the EPA Innovations Task Force commits the Agency both to do more to help organizations comply with the law and to create new incentives and tools to encourage environmental leadership. For more information on these initiatives, please see EPA's 1997 and 1998 annual reports on reinvention and the 1999 EPA Innovations Task Force report, "Aiming for Excellence: Actions to Encourage Stewardship and Accelerate Environmental Progress."