

Presented by
Jim Abraham

GLBTS
Stakeholder
Forum

May 17th, 2005

Toronto, ON

A Competitiveness and Environmental Sustainability Framework – Transforming the Way We do Business

*Strengthening Canada's long-term
competitiveness, its natural environment and the
well-being of its citizens*

Purpose

- The purpose of the proposed framework is:
 - to attain the highest level of environmental quality as a means to enhance the health and well-being of Canadians, preserve our natural environment, and advance our long-term competitiveness – improving Canadians' quality of life
- The deck sets out evidence that:
 - environmental sustainability is emerging as a new basis for competitiveness
 - citizens, investors, markets, leading companies and key industrial and emerging economies are both driving and responding to this change
 - Canada needs transformational change to respond

The determinants of competitive advantage have changed over time ...

- Late 18th and early 19th centuries
 - driven by need to economize on labour
 - with mechanization labour productivity increased 200-fold
- Late 19th and early 20th centuries
 - driven by need to exploit natural resources more effectively, and new technologies (e.g., electricity, internal combustion engine)
- Late 20th century
 - driven by globalization of industry and finance through information technologies
 - success based on ability to adapt quickly - with high value placed on a skilled workforce (integration of economic and social policy)
- Canada was a leader in the latest industrial revolution – transforming into a knowledge-based economy – giving Canadians a quality of life that is among the best in the world.

and as we enter the 21st century, the model is changing again ...

- **Environmental sustainability is emerging as a key driver of our economic competitiveness.**
- The emerging model of competitiveness recognizes that...
 - sustained, long-term economic growth requires a long-term, comprehensive approach to sustainability;
 - climate change is our single greatest sustainability challenge; and
 - adopting a sustainable approach requires buy-in – from citizens, industry and governments – to be successful.
- ...and, more than ever, makes sustainability integral to all of our work.

in response to significant economic and health impacts.

- It is having real economic impacts:
 - Over the last 50 years, the globe has lost:
 - 25% of its topsoil;
 - 33% of its forests; and
 - most of its large fish stocks
- The environment is affecting the health of Canadians:
 - smog is linked to thousands of premature deaths, 100,000s of illnesses, and 6,000 emergency room/hospital admissions every year
 - prevalence of childhood asthma has increased 4-fold in 20 years and is now a leading cause of school absenteeism

Citizens are demanding action by corporations and governments ...

- Citizens are forcing corporations to take action:
 - Mitsubishi – after 8-year consumer boycott agreed to top-to-bottom environmental review of business activities
 - Home Depot – responded to calls to eliminate sale of wood from endangered forests

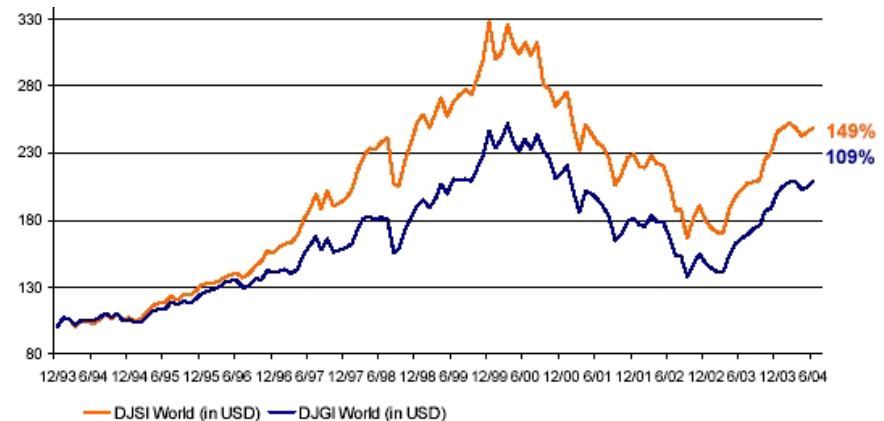
- And governments are acting to address the most immediate threats to human health (especially at a local level):
 - cities such as London, Paris and Singapore have taken proactive action to reduce urban air pollution
 - California has enacted the most stringent vehicles standards in the world

investors are demanding better management of environmental risk ...

- 13 major public pensions, representing over \$800B, asking US Securities and Exchange Commission to require corporate disclosure of global warming risks
- London-based Carbon Disclosure Project, representing 95 global institutional investors and \$10 trillion, demanding disclosure of financial risk of carbon emissions
- 34 of Canada's 100 largest companies produce sustainability reports

leading companies are responding and reaping benefits ...

- **Industry leaders are beginning to act – and are reporting multiple benefits:**
 - Increased efficiency and reduced operating costs (eco-efficiency);
 - Reduced liability and risk;
 - Enhanced corporate and brand image;
 - Improved employee morale, recruitment and retention; and
 - Opportunities for greater access to new and existing products and markets:
- **These actions are having an impact on their bottom line:**
 - Over the last 10 years, the companies in the Dow Jones Sustainability Index World (DJSI World) outperformed the Dow Jones Global Index World (DJGI World).



Key industrialized countries are providing strategic direction and are bringing their sustainability visions to the G-8.

- **Japan: *Recycling-Based Society***
 - framework laws covering all aspects of production, distribution, consumption, and waste disposal
 - positioning companies as leaders in recyclable product design
 - influenced 2004 G-8 with 3Rs (reduce, reuse, recycle) and is planning 2005 Ministerial meeting and hosting 2008 G-8

- **UK: *Framework for Sustainable Consumption and Production***
 - goal to reduce GHGs by 60% by 2050
 - implemented by Ministerial Committee on the Environment
 - chaired by Deputy Prime Minister
 - considers environmental impact of all government policies
 - supported by 20 Green Ministers who assess operational impacts
 - hosting 2005 G-8 and has set climate change as overarching theme

- **Germany**
 - world leader in renewable energy use – especially wind power
 - Schroeder opened Ministerial meeting on renewables in 2004
 - could place focus on renewable energy when hosting 2007 G-8

In summary ...

- **Citizens want their health and environment protected**
- **Leading companies are responding and benefiting**
- **Key countries (governments) are responding**

What does this mean for Canada?

Canada has some recent progress to build upon ...

- Canada has addressed some key environmental issues:
 - *Domestic Substance List*
 - *Acid Rain*
 - *Ozone depletion*
 - *Water treatment*
- And has established a potentially strong legislative base for action:
 - *Fisheries Act, CEPA, SARA, CEAA*

but we are still behind our competitors in terms of our performance and approach...

- **The OECD reports that our environmental performance lags behind G-7 and OECD countries**
 - Emissions of CO₂ and key air pollutants on per unit GDP and per capita basis are among highest in any OECD countries
 - Pollution abatement and control expenditures as share of GDP on lower end of G-7
 - Share of national area protected is lower than our own target and the OECD average

That is why Canada needs a framework that is comprehensive...

- A national framework would be developed in collaboration with provinces and territories, industry, NGOs, Aboriginal groups, and other key stakeholders, with shared goals achieved through:
 - A long-term focus based on business realities
 - Rewarding results
 - Decisions informed by science
 - Predictability and transparency
 - A smart regulation, “single window” approach
- Supported by five pillars:
 - Decision-making
 - Information
 - Science and technology
 - Performance promotion and enforcement
 - Education and engagement

and why we need to work with industry on real, long-term outcomes ...

- **Collaborative mechanism required with industry** to deliver on national environmental goals – brought forward by governments
- Need to bring right people around **ongoing value-chain sector sustainability tables**
- Tables identify **how** to achieve goals through **sector-specific agreements**, on the basis of best information
 - approach tailored to **reflect business realities** and **place-based considerations** – while working to achieve same long-term targets
 - incentives to reward leaders and drive compliance
 - long-term timelines, with interim targets
 - backstopped by regulations, with fair and predictable penalties for those who fail to act

Work has begun ...

- F/P/T ministers have agreed “to work towards an environmental sustainability framework for Canada”
- The formation of the Ad Hoc Committee on Sustainability and the Environment signals PM and Cabinet commitment “to build sustainable development systematically into decision making”
 - Ad Hoc Committee mandated as federal venue for horizontal development of a national framework – including decision-making on key initiatives that build and reflect the framework
- The concept of a framework has also resonated with industry and NGOs (e.g., Petroleum Producers, Suzuki Foundation) – and they want to work with us further to develop it

to make environmental sustainability a key part of our competitiveness.

- The framework would enable Canada to:
 - take broad-based action by industry and consumers to “*brand Canada*” as an international model of environmental performance
 - *level the playing field*
 - *set a long-term approach* to achieving outcomes
 - provide *predictability* on priorities and outcomes
 - focus *incentives* to drive and reward corporate leadership
 - apply strong domestic approaches to our international commitments