

Sector Sustainability Tables: *Smart Regulations and Beyond*

Discussion Draft

November 19, 2004

Context and Outline

- This deck sets out initial thinking on a **potential mechanism** for industry-government collaboration
 - Part of a new national framework to achieve national health and environmental outcomes
- The mechanism would work as a federal approach to engaging industry – but benefits would be substantially enhanced with an FPT approach
 - This deck assumes an FPT approach in order to scope out the full potential of such a mechanism to inform ongoing framework discussions
- Discussions have begun:
 - **Ad hoc Cabinet Committee on Environment and Sustainable Development** providing forum for establishing federal positions and mandate to work with provinces, industry and others
 - **CCME ministers agreed to develop a national framework**
 - Concept of framework has resonated with stakeholders

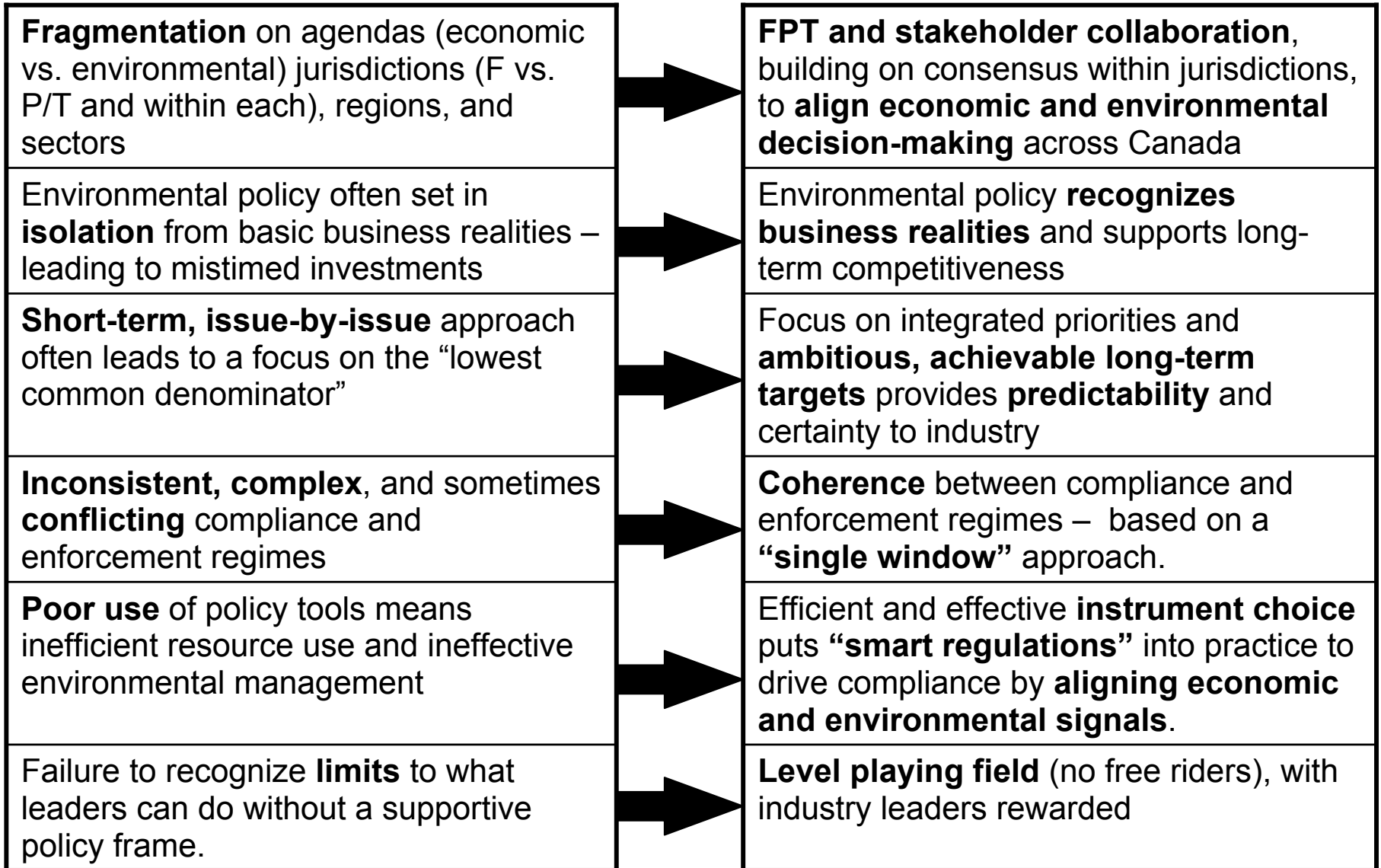
Canada must become a leader in the next industrial revolution.

- Canada was a leader in the knowledge-based revolution – this is why we have one of the best qualities of life in the world
- **The nature of competitiveness is changing again – competitiveness is increasingly driven by environmental sustainability.**
 - Citizens, investors and markets demanding change
 - Industry leaders responding and outperforming their competitors
 - Key countries getting ahead of the curve (U.K., Germany, Japan, U.S., China)
 - We can't miss the next industrial revolution – the sustainable economy – if we are to further enhance our quality of life
- Goal must be to **strengthen the well-being of Canadians, the health of our planet, and our long-term competitiveness**
- **For Canada to lead, we must dramatically improve our performance.**
 - Canada has made some real progress
 - But our environmental performance lags behind others (OECD)
- **Widespread view – to become a leader requires a new approach**

This requires a fundamental change in approach ...

- Comprehensive **national** framework, developed in collaboration between FPT governments, industry, and other stakeholders – with **shared goals** achieved through:
 - Long-term focus, based on business realities
 - Rewarding results
 - Informing decisions with science
 - Predictability and transparency
- Consists of **five pillars**
 - *Decision-making*
 - *Information*
 - *Science and technology*
 - *Performance Promotion and Enforcement*
 - *Outreach and Engagement*
- **Integrated approach to full range of environmental challenges**
 - Climate change, clean air and water, biodiversity, etc.
- The framework must be applied to **industry, cities, and citizens.**

... that refocuses the industry--citizen-government relationship ...



... based on a foundation of shared principles ...

- **Results-focused**
 - Instrument choice to align environmental and economic policies to drive compliance and achieve outcomes
- **Accountability**
 - Governments accountable for decision-making, including setting national outcomes to protect health and environment
 - Companies accountable for actions and choices, and leaders are rewarded
- **Cooperation and Mutual Respect**
 - All players recognize and respect each other's interests and context
- **Transparency**
 - Process/outputs open and transparent to public through regular reporting
 - Lack of full certainty should not preclude action, but parties must be transparent about basis for decisions in such circumstances
- **Predictability**
 - Provide investment and planning certainty for industry
- **Efficiency**
 - Single window approach, with the “best situated” level of government taking action
 - Focus efforts (technology support, inspection and enforcement, etc.) on clear priorities
- **Flexibility**
 - Allow for place-based considerations, especially for ecosystems subject to acute or cumulative impacts

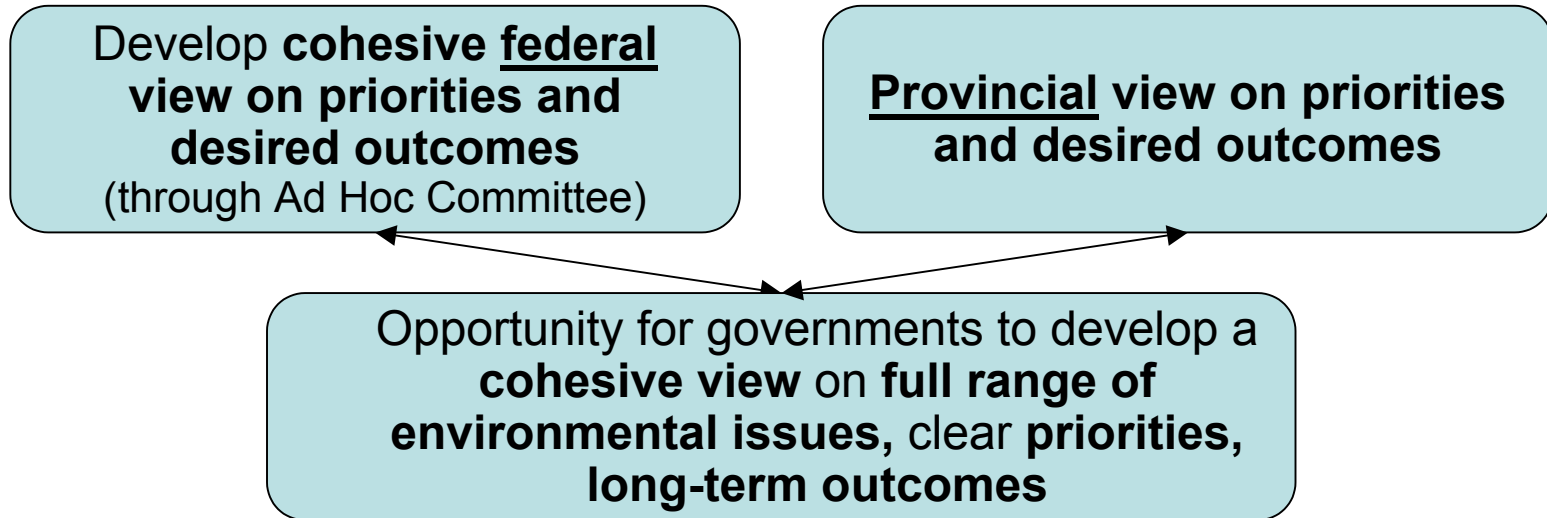
... to achieve positive outcomes for Canadians.

- Governments able to set and **achieve long-term environmental targets** leading to **health and environmental outcomes** for Canadians
 - Real results (cleaner air and water, climate change mitigation, conservation of biodiversity, sustainable land use, healthier living, etc.)
 - Early identification of emerging challenges and proactive approaches
- Canadian industry **competitive in global markets**
 - Gain **predictability** and **recognition of business realities**
 - Motivated to modernize in environmentally responsible manner – positioned for enhanced competitiveness
 - Innovative – moving beyond compliance – to become **world leaders** in sustainable practices and products
- **NGOs and Aboriginal organizations** play a key role in shaping national efforts
- Meets **SFT commitments** related to sustainability and the environment for work between partners on environmental assessment, climate change, clean air and water

We need a forum for collaboration between governments and industry ...

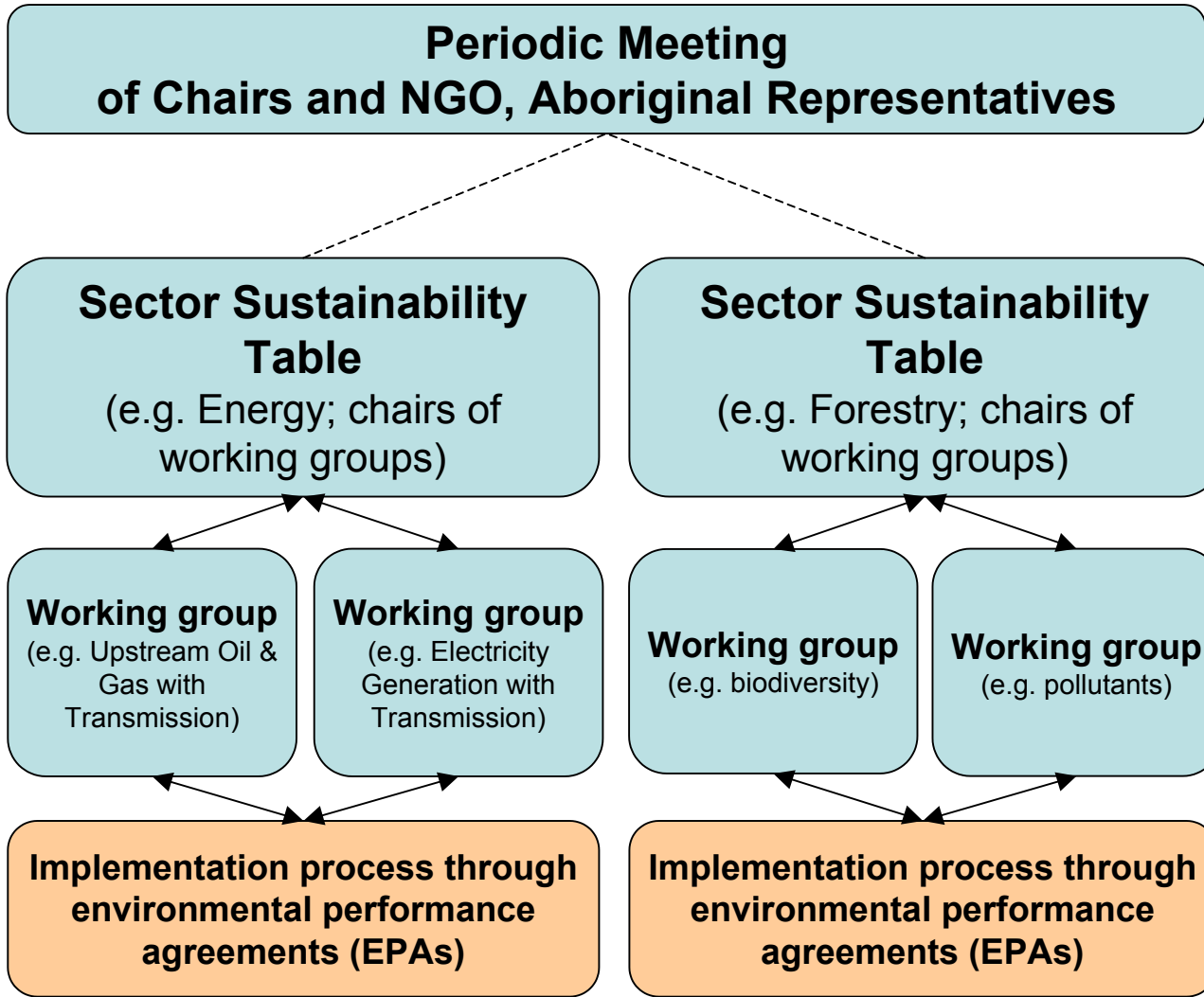
- Bring right people around **permanent, value-chain sector sustainability tables**:
 - Based on sectors: Integrated approach to sustainability issues based on how industry makes decisions – recognizing business realities and levelling the playing field
 - Permanent: Long-term approach that provides predictability and enables governments and industry to deal with changing realities
- Collaborative group of about 30 decision makers:
 - **Industry** (associations and companies): knowledge of business realities, environment as driver of competitiveness
 - **FPT governments**: representatives speak for their governments
 - **NGOs**: bring expertise and enhance transparency
 - **Aboriginal organizations**: range of interests and expertise
- Co-chaired by senior federal government, provincial/territorial government and industry
- Sector sustainability tables identify **how** to achieve national outcomes
 - Approach tailored to **reflect business realities** of sectors and firms.
 - Flexible **incentives** that reward leaders and drive compliance
 - **Long-term standards and objectives**, with interim targets
 - **Backstopped by regulations**, with tough but fair and predictable penalties for those who fail to act

... focused on achieving national health and environmental outcomes set by government ...



- Through CCME, FPT governments could jointly develop **shared, long-term, ambitious national health and environmental outcomes**, informed by science, and view on:
 - Each sector’s **share of responsibility** – based on knowledge of environmental challenges, sector impacts, and benchmarking (performance, technologies, etc.)
 - to inform position on sector’s long term target and milestones
 - Relevant **policy instruments** (economic instruments, guidelines, regulations, faster approvals and other process efficiencies, etc.)
 - **Options for “single-window” (“best situated”) engagement**
- Also identify geographic areas requiring special **place-based consideration**

Sector Sustainability Tables: Architecture



Function of chairs' meetings:

- Benchmark Canada's environmental and competitiveness performance
- Provide coherence on cross-cutting national issues to ensure national outcomes are met

Function of sector tables:

- Supply chain "community of purpose"
- Sector agreements on priorities, targets as foundation for regulatory backstops and on "menu of options" for firm/facility-level agreements
- Oversee and integrate working groups

Function of working groups:

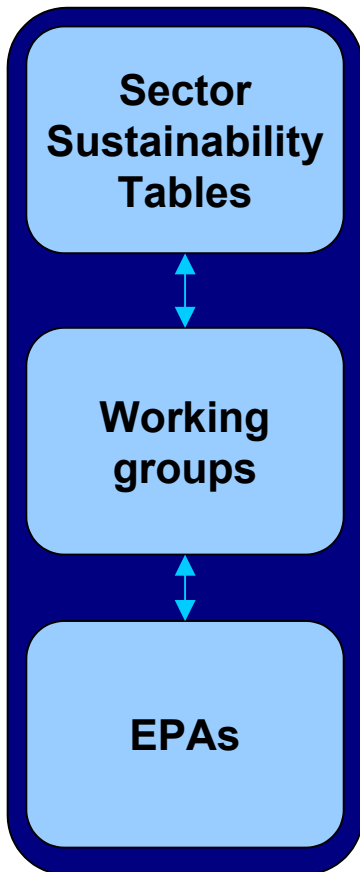
- Lay foundation for negotiation of firm-specific targets, timelines and incentives

Implementation level:

- Negotiation of agreements, including any place-based dimensions, at firm/facility level

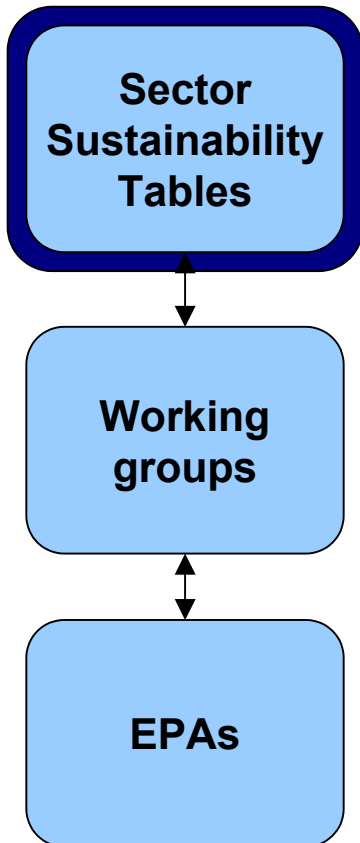
Structure of sector tables reflects the diversity of sectors and issues ...

- Industry should play key role in defining the “**unity of purpose**” and determining **scope of sector** to be included at the table
 - Inclusive of the sector’s value chain to:
 - Recognize business realities ...
 - ... but also draw out synergies and innovative ways of doing business
 - Value chain may vary depending on issue (core vs. issue-specific) and may need interface between sector tables depending on issue
- Flexibility required: complex environmental and business issues, place-based considerations, etc.
 - **Sector table** – comprehensive of value chain; integration on all environmental issues
 - **Working groups** – by sub-sector or possibly environmental issue
 - **EPA** – allowance for place-based considerations at firm level
- Government secretariat provides support



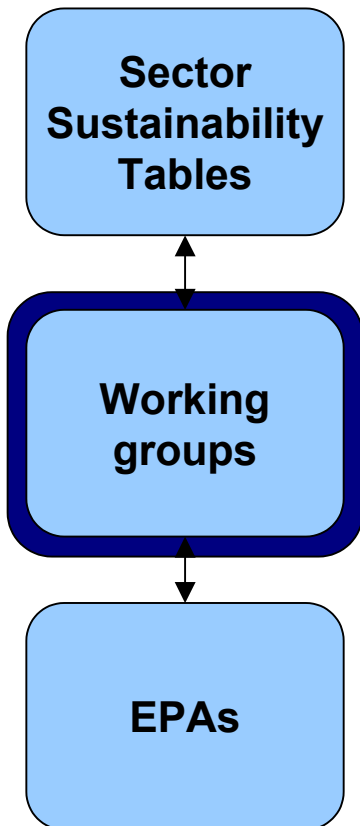
... with sector table agreements creating a level-playing field ...

- Sector tables, working to achieve **share of relevant FPT national outcomes**, agree on environmental priorities and negotiate **sector-wide agreements** on:
 - **Long-term sector targets**, possibly with interim milestones
 - Targets serve as **basis for regulatory backstops** to ensure a level playing field (no free riders), with tough but fair and predictable penalties for laggards
 - Geographical areas that require **place-based consideration**
 - **“Menu” of options** for:
 - Firm-specific **paths to long-term targets**
 - **FPT government commitments** and **single-window responsibilities**, consistent with framework pillars, to support achievement of targets:
 - e.g. Incentives (financial, process, etc.)
 - e.g. Technology strategies



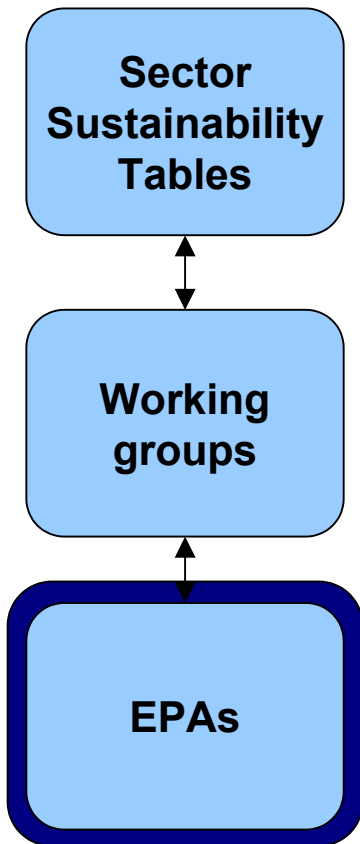
... with working groups laying a more detailed foundation ...

- Working groups **support development of sector-level “menu”** by advising sector tables on **options** for negotiation of environmental performance agreements:
 - **Paths to long-term sector targets** for different firms (e.g. leaders vs. mid-performers)
 - **Effective policy instrument mix**
 - **FPT “single window” responsibilities** – i.e. which government likely to be “best situated” to administer incentives, assessment, reporting, enforcement, etc.
 - **Place-based considerations** for geographical areas identified by sector tables
- Working groups **accountable to sector sustainability tables**
 - Sector tables set firm timelines for working groups
 - Working groups report back to sector tables, which provide “integration” function



... for firm-level environmental performance agreements backed by regulations ...

- Environmental Performance Agreements (EPA) – negotiated by “best situated” – provide a **roadmap of industry and FPT accountabilities for achieving long term targets**
 - **Select from sector-level “menu” of options:**
 - Clear milestones (with annual reporting on progress)
 - Performance-based incentives for leadership and compliance
- **Those meeting EPA commitments will meet regulatory requirements** (make EPA enforceable contract)
- Some **small-medium size enterprises (SMEs)** may not be well-suited for EPAs; will be governed by sector regulations
 - SMEs may be affected by supply chain commitments of larger firms with EPAs
 - SMEs may also be motivated by targeted technology and capacity outreach programs



... and sector table chairs addressing cross-cutting issues.

- Sector table “periodic meetings of chairs” to provide coherence and transparency on cross-cutting national issues:
 - Environmental issues requiring a comprehensive, multi-sector national or international approach to attain national outcomes (e.g. climate change, transboundary air pollution)
 - Benchmarking Canada’s environmental and competitiveness performance against peers and competitors (e.g. OECD)
 - To inform setting of national environmental and health outcomes that position Canada for global leadership
 - Reporting and accountability vis-à-vis international commitments (e.g. Montreal Protocol, Kyoto Protocol)
 - Environmental management “single window” opportunities (e.g. environmental assessment)
- Meetings of chairs would be supported by FPT process to develop coherent government views
- Meeting would also include other representatives from sector table process (e.g. NGOs)

Identify the first sector tables to start putting the framework into practice ...

- **Early work on some sectors:**
 - Energy: upstream oil and gas plus transmission; oil refining; electricity generation plus transmission; gas and electricity distribution
 - Transportation (start with auto/fuels – interfaces with energy)
 - Forestry
 - Mining
 - Chemicals
- **Other possible future tables:**
 - Construction
 - Steel
 - etc.
- **Don't reinvent the wheel** – where possible, harness existing structures
 - e.g. Agriculture tables, Forestry research

... to build a relationship ...

- **Initial work:**
 - Develop **common understanding** of:
 - Environmental and health priorities and drivers of competitiveness
 - Opportunities for regulatory and other efficiencies within current agendas
 - How work of the table fits with other regulatory processes and other initiatives affecting the sector
 - **Agree to priorities** to be initially dealt with by working groups
 - May including setting a common research agenda to build common perspective on priorities and options
- Proceed in a **step-wise, “learning-by-doing”** manner:
 - Tables will be key in defining an approach that works
 - Lead with smart environmental regulation of industry on current issues and build longer-term agenda
- Make the relationship an **ongoing collaboration:**
 - **Permanent** sector tables ensure that industry and governments are able to **adapt to changing realities** and **respond to emerging issues**

... for long-term health, environmental, and competitiveness outcomes...

- Goal of framework is to **strengthen the well-being of Canadians, the health of our planet, and our long-term competitiveness**
- FPT government and industry agendas and resources aligned to achieve this long-term goal
- Canadian businesses branded as innovative environmental leaders **competitive in global markets**— increased capacity to capitalize on new and existing market opportunities.

... by reducing the footprint of Canada's industrial activity while increasing productivity.