



THE ENVIRONMENTAL LEADERSHIP INITIATIVE

CANADIAN COUNCIL OF CHIEF EXECUTIVES

***HISTORICAL PERSPECTIVE
ON THE COUNCIL'S WORK ON
ENVIRONMENT AND ENERGY ISSUES***

OCTOBER 2007

The *Canadian Council of Chief Executives* (CCCE), formerly the *Business Council on National Issues* (BCNI), has a long history of responsible policy development and action when it comes to issues of the environment, energy and the important challenge of fostering sustainable development.

The Council's first major foray on *energy policy* came in 1984-85, when the destructive nature of the National Energy Program (NEP) was becoming clear. The BCNI organized an historic meeting to try to resolve the differences and plot a more responsible energy policy for the country. We brought together CEOs of major Canadian companies from both the energy producing and energy consuming side, as well as the Premiers of Alberta and Ontario and the energy ministers from the federal government and energy-producing and consuming provinces. By means of a special task force, the Council developed a consensus and new policy that could ensure adequate returns to energy producers and royalties to the respective provinces, while providing stability in energy pricing for Canada's energy-intensive manufacturing industries and consumers across the country. The Council's recommendations helped lay the groundwork for post-NEP policy.

The Council was one of the first organizations to publicly declare support for the concept of *sustainable development* as articulated by the World Commission on Environment and Development (the "Brundtland Report") in 1987. In late 1988, the Council formed a Task Force on the Environment and the Economy, made up of some 25 member CEOs. Its initial goal was to encourage greater environmental awareness among both business leaders and the Canadian public, and to look for practical and effective ways to integrate environmental protection with economic development. The creation of the Task Force sent a powerful signal that environmental issues were no longer on the sidelines, but had moved to the centre of decision-making in both government and business.

In May of 1989, in Winnipeg, Council President Thomas d'Aquino gave his first major speech on the subject, titled "*The Environment and the Economy: Until Death Do Them Part*". Reversing the deterioration of the environment on a global basis, he said, was the most pressing challenge facing Canadians and the world. And he laid out a response to this challenge, based on vigorous but responsible economic development: development which harnesses and adapts the positive creativity of technology and market forces; development based on enlightened public policies capable of drawing from the private sector the highest commitment; economic development that can contribute towards human health and the health of our environment. For almost two decades, Canada's business leaders have adhered to this fundamental precept.

In 1991, the Council retained Professor Michael Porter to carry out an assessment of Canadian competitiveness. In his ground-breaking report, Porter illustrated *the connection between high standards of environmental protection and enhanced competitiveness*, a message which Canada's business leaders embraced and which continues to influence the Council's thinking on these critical issues.

The Council played a key role in mobilizing business input to the Canadian government's preparations for the *World Summit on the Environment and Development* in Rio de Janeiro in 1992. Dubbed the "Earth Summit", it was the first gathering of heads of government to address directly issues of the environment and sustainable development, using the framework developed by the Brundtland Commission. Council Vice President John Dillon was the lead business representative on the Canadian delegation to the Earth Summit and played an important interface role to then-Environment Minister Jean Charest and senior government officials.

At the request of Maurice Strong, Secretary General of the Earth Summit, Council President Thomas d'Aquino also played an important role in the formation of the *Business Council for Sustainable Development* (BCSD), which was the main vehicle that allowed global industry to play a substantive role at Rio. The BCSD has since been succeeded by a permanent body, the World Business Council for Sustainable Development, which continues to bring together business leaders from around the world in advancing the cause of sustainable development.

In advance of the Earth Summit, the Council's Task Force on the Environment and the Economy issued a strategy paper on sustainable development, *Towards a Sustainable and Competitive Future*. Of critical importance was the linkage it drew between economic competitiveness and environmental sustainability. A companion paper, *Business Principles for a Sustainable and Competitive Future*, outlined a set of eight operating principles that it urged businesses of all sizes in Canada to adopt. Although other business organizations had developed environmental codes of practice for their membership, the Council was the first to adopt sustainable development explicitly as an overarching principle and to attempt to express it in terms of operational practices.

The Council also has been active in a range of domestic environmental issues, from reforms to the *Canadian Environmental Protection Act* in 1988 and 1999, to environmental assessment legislation and policies to address the management of toxic chemicals. One subject of ongoing interest has been the relationship between trade policy and the environment. The Council was actively engaged in consultations on the environmental side agreement to the North American Free Trade Agreement (NAFTA). One

result of this exercise was the creation of the *North American Council on Environmental Cooperation*, based in Montreal.

In the mid-1990s, the Council helped to create the first-ever *Task Force on Trade and Environment*, as part of the International Trade Advisory Committee (ITAC) to the Minister of International Trade. Mr. d'Aquino served as the first chair of the Task Force, which produced a groundbreaking paper that illustrated how trade and environmental policy could be made mutually reinforcing. While much conventional wisdom at the time would have suggested that enhanced trade might cause environmental degradation, the Task Force sought to illustrate the benefits of global trade in the spread of advanced technologies and knowledge, and the transfer of skills and capital that could enhance economic and social progress in developing countries.

A number of Council member companies have been leaders in the evolving art of *sustainable development reporting*. Going beyond the accounting of financial results and business conditions of a typical annual report, they provide a progress report to shareholders and the public on the company's environmental goals, activities and accomplishments and have become part of the lexicon of "corporate social responsibility".

The Council was among the organizations that were instrumental in establishing the *Voluntary Challenge and Registry* (VCR) in 1996. A public-private sector partnership, its aim was to enroll businesses of all sizes in efforts to measure and manage their greenhouse gas (GHG) emissions, and to report publicly on their progress. Although voluntary in nature, the VCR played an important role in sensitizing the business community to the need to address GHGs, and its practical lessons on the importance of energy efficiency attracted attention, and enrollment, from a much broader array of organizations, including schools, hospitals and municipal governments.

In the months prior to the international meetings which produced the *Kyoto Protocol* in December of 1997, the Council repeatedly called for a broader public debate that would allow Canadians to better understand the complex nature of the climate-change issue and their own responsibility to take action. We also suggested a six-point plan that could contribute to an environmentally responsible approach to the global greenhouse gas challenge while aligning with Canada's national interest.

Needless to say, the Council was disappointed by the Canadian government's decision to accept an ambitious target in Kyoto without any meaningful analysis of its impact (a fact subsequently confirmed by the Commissioner for the Environment and Sustainable Development) and without reaching a consensus with provincial governments on how to proceed.

Notwithstanding such concerns, from 1998 on the Council played a substantial role in the elaborate consultation process set up by the federal and provincial governments to examine the implications of Canada's commitments under the *Kyoto Protocol*. Council Vice President John Dillon was an active participant in the "issue table" process, and was instrumental in setting up an informal coalition of leading industry groups to coordinate business input into an assessment of the best measures available to Canada to reduce GHG emissions.

In addition to these activities, Mr. Dillon has represented Canada's business community at the international negotiations concerning both the *United Nations Framework Convention on Climate Change* and the *Kyoto Protocol*. He has served as an advisor to the Canadian delegation and a focal point for business strategy in seeking to influence positively the direction of Canada's international climate-change commitments.

The work that the Council has done over the years on improving Canadian competitiveness has always had a strong environmental component. The Council's *Canada Global Leadership Initiative* (CGLI), launched in 2000, was a comprehensive examination of what it would take for Canada to be an economic leader in the 21st Century. One of the CGLI working papers, *Magnetic North: Powering Canada's Growth*, examined a number of barriers to attracting investment and high quality jobs to Canada. In the case of environmental regulation, it pointed out that lower standards will not attract investment. In fact, corporations building state-of-the-art facilities have no problem with high standards. What can easily discourage new investment, however, is a fragmented federal-provincial regulatory structure and review process that is often long, uncertain and inconsistent.

The dawn of the 21st Century saw another landmark in the evolution of the Council's thinking. The book *Northern Edge: How Canadians Can Triumph in the Global Economy*, by Council President Thomas d'Aquino and Executive Vice President David Stewart-Patterson, offered a prescription for how Canada could build on its distinctive advantages in a rapidly transforming world. The authors suggested: "The ultimate productivity challenge -- within Canada and globally -- is to respond to the material needs of a growing population by greatly increasing the value and usefulness that we extract from every barrel of oil, tonne of steel and litre of water. The challenge to global sustainability is great but Canada and Canadian business should lead... The very intensity of our energy and resource use presents a clear incentive for Canadian companies to pursue strategies geared to environmental innovation." As to why Canadian companies have embraced the sustainability imperative, they added: "It is already clear that irresponsible corporate behaviour has repercussions that can affect financial results as well as global reputation. More to the point, a positive reputation for environmental responsibility is becoming a vital

element in attracting customers, employees and investors. Doing the right thing for the global ecosystem is a necessary element in any successful strategy for sustainable growth in shareholder value.”

In the spring of 2002, it became apparent that the government of then-Prime Minister Chrétien was seriously considering ratification of the *Kyoto Protocol*. (By this point, the United States had rejected the Protocol.) The Council developed *The Kyoto Protocol Revisited: A Responsible and Dynamic Alternative for Canada*. This document put forward an eight-point framework for action that would enable Canada to make a meaningful contribution to addressing both the long-term global challenge of climate change and more immediate global priorities, such as the alleviation of poverty, the provision of clean water and the improvement of health care in developing countries around the world.

Essential elements of the plan included:

- A broadly based and inclusive national process that engages Canadians in the climate change debate and galvanizes their support for the policies necessary to reduce greenhouse gas emissions.
- A stronger commitment by industry, to be defined through negotiated agreements between industry sectors and governments that would set emissions performance goals and serve as a catalyst to invest in the technologies that will lead to meaningful and lasting reductions in emissions.
- A longer-term technology strategy that would place Canada at the forefront in the development and adoption of new technologies and lower carbon forms of energy.
- Coordinated actions to address GHG emissions and urban air pollution in major urban centres, through such means as enhanced urban planning and new government investments in urban and inter-city public transit.
- A leadership role for Canada internationally in promoting a longer-term and truly global solution to the climate challenge that can also meet the needs of developing countries to improve living standards.
- A Canadian program on climate science and adaptation.

In 2005, then-Environment Minister Stéphane Dion released *Project Green: A Plan for Honouring Our Kyoto Commitment*. In commenting on *Project Green*, Mr. d’Aquino noted that in 2002 the CCCE advocated that Canada should not ratify the *Kyoto Protocol* until it had a realistic plan for meeting its target. He added, “We are still waiting for such a plan, and all that seems to change is the projected cost to taxpayers. During the ratification debate, the cost was said to be in the billions. Now it is in the tens of billions. How much will it really cost taxpayers in the end? Yesterday’s announcement compounds the uncertainty.”

He went on to point out that the CCCE has argued from the outset that the Canadian government accepted a far too ambitious commitment in the *Kyoto Protocol*. Meeting the Kyoto target would mean cutting emissions of greenhouse gases by more than 30 percent in a relatively short time. Whether this was done through emission cuts in Canada or in combination with the purchase of foreign credits, there would be serious consequences for the economy, for jobs and for consumers. Canadian companies have long understood the critical nexus between good environmental stewardship and strong competitive performance, but the Council expressed concern that a single-minded focus on meeting the *Kyoto Protocol* deadline would skew investment decisions and penalize companies that take the lead in developing and adopting new technologies.

Finally, Mr. d'Aquino stressed the importance of building on Canada's strong record in overall environmental performance. "The *2005 Environmental Sustainability Index*, under the auspices of the universities of Yale and Columbia, rates Canada as the sixth best performer among 146 countries. Clearly Canadians are not ignoring their environmental responsibilities. We can do better, of course, and Canadian industry is more than ready to do its share."

"Canada's business leaders are strongly committed to policies that can strengthen Canada's position as an economic and environmental leader. We will continue to urge the federal and provincial governments to work together in the development of a more innovative, made-in-Canada approach to climate change, while also making the investments required to support Canadian economic growth and progressive improvements in environmental performance," Mr. d'Aquino said.

In 2005, the Council launched a new initiative aimed at improving Canada's competitiveness within a transforming global economy. We pointed out that despite all the good economic news that Canadians had enjoyed in recent years, Canadians had become dangerously complacent about a wide range of emerging challenges to our country's ability to sustain the wellbeing of its citizens. A subsequent paper, *From Bronze to Gold: A Blueprint for Canadian Leadership in a Transforming World*, laid out a ten-point plan that we believed was essential to build on Canada's existing strengths and to meet these new challenges. Two of those elements were to forge a clear environmental advantage as part of Canada's national brand, and to build a Canadian energy strategy that both ensures our energy resources remain an important source of national advantage while also recognizing the imperative to reduce the carbon footprint of our energy use.

The importance of these issues and the role of Canadian business were perhaps best summarized in a 1992 speech by Mr. d'Aquino. He suggested that "the single most important contribution that Canadians can make to

securing and enhancing the *global commons* is to demonstrate through the application of our will, skills and technologies that it is both possible and desirable to combine growth and opportunity creation with the highest environmental standards. This is the model that the developing and emerging economies are looking to us to provide." And this is the philosophy that continues to drive the Council today.

In 2007, as the debate about the environment and climate change intensifies both nationally and globally, the *Canadian Council of Chief Executives* is launching another major initiative involving leading chief executives and entrepreneurs. In a letter to Prime Minister Harper dated January 31, 2007, Mr. d'Aquino said, "As we tackle the challenges and opportunities of the environment and climate change, we will spare no effort to make a positive contribution." The Council's *Environmental Leadership Initiative*, spearheaded by a Task Force of 33 CEOs from all sectors and regions of the country, was launched publicly in March 2007, with the goal of making Canada a global leader in reducing greenhouse gas emissions, promoting clean technologies and fostering sustainable economic development. "We will work closely with government at all levels, draw on the expertise of sectoral business associations and engage other stakeholders with an interest in developing responsible solutions to Canada's climate change challenge," Mr. d'Aquino said in announcing the Task Force.

As the first major project of the Task Force, in October of 2007 the Council released *Clean Growth: Building a Canadian Environmental Superpower*. This policy declaration represents an unprecedented consensus among Canada's business leaders of the importance of addressing the critical challenge of climate change. It recognizes that Canadian industry has a responsibility to do more to address greenhouse gases and other air emissions, as well as an opportunity to develop effective solutions that can be adopted around the world. And it seeks to position Canada and Canadian business as leaders in the development of effective new technologies and sound policies that can lead the transition to a low-carbon economy while also strengthening our competitive advantage.

The policy declaration lays out a five-point blueprint that the Council hopes can contribute to a wider public discussion and can form the basis of a broader national consensus. The key lies in: fashioning a true national plan based on effective federal-provincial coordination; making use of our tremendous skills and resources to foster the development of clean energy; setting policies that drive investment and innovation; making wise use of market instruments; and contributing to a longer-term global solution that allows all countries to enjoy an enhanced standard of living with a lower environmental footprint.