

Canadian Environmental Auditing Association

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Outline

- Trade and Environment
- The Triple Bottom Line
- Environmental Performance Standards
- Examples
- Conclusions



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Globalization of Trade

- The global village
 - Increase exchanges of knowledge, services and goods
 - Trade: a force for economic, environmental, social change
 - \$6 trillion/year
 - growth twice the pace of global economic activity
 - Concerns: adverse impacts of global economy
 - public demonstrations at international meetings



Globalization of Environmental Initiatives

- 1960s environmental awareness
 - Governments focus on environmental protection
- International reflection:
 - United Nations (UN) Key initiatives e.g.
 - Human Environment (Stockholm, 1972),
 - European Commission for Europe Long Range Transport of Air Pollutants Convention (1979) Protocols
 - Wastes Transportation Convention (Basel, 1989)
 - Earth Summits (Rio de Janeiro, 1992, Johannesburg, 2002)
 - International Standards Organization (ISO 14000)



Global Awareness of Environmental Incidents

- The era of the WEB and Internet
 - virtual, unlimited access around the world
- Environmental groups
 - Role in shaping initiatives
 - Examples of global interest groups:
 - Greenpeace
 - Friends of the Earth
 - Sierra Club





Key Environmental Principles

- Evolution of environmental policy
- Principles adopted by many governments:
 - Polluter Pays
 - No pollution havens
 - Pollution Prevention (in addition to Control)
 - Life Cycle Management
 - Sustainable Development, Production and Consumption
 - Precautionary Principle
 - Public Right to Know





Trade and Environment - Governments

- Inclusion of environmental considerations in economic discussions
 - Multi-lateral Environmental Agreements linked to Trade Agreements
 - North American Free Trade Agreement (NAFTA)
 - European Union Directives
 - Mercosur (South America)
 - World Trade Organization
 - World Bank
 - International Monetary Fund





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Trade and Environment - Corporate

- Multinational corporations recognition of relevance of environmental performance
- Evolution of financial to environmental auditing since 1980s as management tools
- Awareness of corporate liabilities
- Shareholders influence, Ethical Funds
- National Industry Associations adopting environmental policies and procedures, e.g.,
 - Mining Association of Canada (MAC)





The New Radicals and Protests

- Concerns about globalization adverse economic, environmental and social impacts
- Trade organizations lightening rods for 1960s style social activism - the second environmental revolution?
- Concerns about fraudulent corporate governance e.g., ENRON
- Some companies and products already affected, e.g., paper, and diamonds

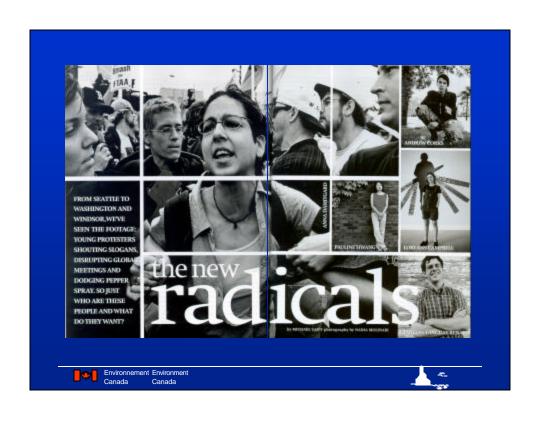
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The New Radicals and Protests (cont'd)

- Demonstrations at international meetings:
 - World Trade Organization (WTO) (Seattle, 1999)
 - World Bank (Washington, 2000)
 - World Economic Forum (Melbourne, 2000)
 - World Bank (Prague, 2000)
 - Summit of the Americas (Quebec City, 2001)
 - G8 Summit (Genoa, 2001)

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The Triple Bottom Line

- Economic, environmental and social considerations:
 - Economic reporting
 - mandatory for public companies
 - Environmental corporate reporting
 - · voluntary, annual reports
 - initially PR "green" documents, now more substantive & credible
 - "Social licenses" required from workers, communities, governments





Public Reporting Examples

- Mandatory public reporting of environmental releases
 - Canadian National Pollutant Release Inventory
 - NAFTA Commission for Environmental Co-operation "Taking Stock" Reports
 - Top polluters identified
 - Improvements by companies noted
- Consideration of only releases not appropriate
- Need standards as metrics of performance





International Standards

- Environmental performance standards (EPS) for industrial processes:
 - World Bank standards evolving
 - Many national, sub-national and corporate standards exist, but not consistent, always credible, measurable, or reported against as bench marks
- ISO 14000 are procedures standards, not performance standards
- Inclusion of environmental provisions in trade agreements - upward harmonization intended





- Require industry sector-wide, baseline, minimum standards
- May require site-specific, stringent, comprehensive standards in highly polluted areas or ecologically sensitive areas





Environmental Performance Standards (cont'd)

- Measurable, Verifiable, Verified (audited), Reported publicly
- Development led by governments with experts, industry and other stakeholders, using open and transparent consultations
- Release standards, based on air emission, water effluent limits
 - expressed as allowable release concentration, or loadings per unit production



Environmental Performance Standards (cont'd)

- Based on:
 - Best Available Techniques (BAT) Economically Achievable for Pollution Prevention & Control, and Best Environmental Management Systems
- Take into account existing stringent standards:
 - US Environmental Protection Agency
 - EU Directives
 - some World Bank Guidelines
 - UN ECE Protocols, etc.



Development of Standards in Canada

- Environmental Codes of Practice for Steel Mills (2001)
- New Metal Mining Effluent Regulations (2002)
- Environmental Code of Practice for Base Metals Smelters (2002)
- Environmental Code of Practice for Metal Mining (Planned 2003)

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Conclusions

- Increased globalization of trade is a reality
- Increased economic, environmental and social concerns are also a reality
- Public expectations, ecological profile and use of product may affect market acceptability
- Corporate environmental performance are increasingly public; expectations of responsible governance and stewardship are increasing.
- Need for credible, comprehensive, verifiable environmental performance standards and metrics, and public reporting of conformance

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Selected Bibliography

- United Nations Environment Program, "Environment and Trade - a Handbook", ISBN 1-895536-21-9, 2000.
- World Bank, "Pollution Prevention and Abatement Handbook, 1998", ISBN 0-8213-3638-X, 1999.
- P.G. Finlay, "Environmental Auditing An idea whose time has come", Canadian Electrical Association meeting, March, 1985





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Selected Web sites

- Environment Canada, Minerals and Metals Division: http://www.ec.gc.ca/nopp/metals
- Environmental Codes of Practice for Integrated and Non-integrated Steel Mills Environment Canada, Minerals and Metals Division:

http://www.ec.gc.ca/nopp/metals/product.cfm



