

# Globalization of Environmental Performance Standards

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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



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## 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)



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## 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



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## 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



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## 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)



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## The New Radicals and Protests

- Concerns about globalization - adverse economic, environmental and social impacts
- Trade organizations lightning 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



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## 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



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## 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



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## Environmental Performance Standards

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



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## 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



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## 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.



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## 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>



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