



PHOTO: ISTOCKPHOTO.COM

A climate for action

While politicians continue to wrangle over what can be done to address climate change, many Canadian companies are quietly working behind the scenes to cut greenhouse gas emissions and improve their sustainable practices to levels that meet or beat the benchmarks set by the Kyoto Protocol.

Having accepted that business could not continue as usual in the face of overwhelming scientific evidence that human activities were a severe and growing threat to global climate, firms across all sectors started implementing programs that are now making a real difference to their impact on the environment.

Jayson Myers, president of Canadian Manufacturers and Exporters (CME), the country's largest trade and industry association, says the manufacturing sector reduced green-

house gas emissions by 9.3 per cent below 1990 levels between 1990 and 2005, compared to the Kyoto target of six per cent below 1990 levels by 2012.

"This has been achieved through a range of measures such as improved energy efficiency, switching to cleaner fuels, new technology and processes and increased productivity," says Mr. Myers.

He says the performance among large manufacturers such as aluminum, steel, chemical and paper producers has been even more impressive, with emissions being cut by a combined 20 per cent below 1990 levels between 1990 and 2005.

Mr. Myers points out that the manufacturing sector produces many of the technologies that help other industries reduce their emissions, and it also makes consumer products such as appliances that are

more energy efficient than ever before.

However, he concedes that there is still considerable work ahead to reduce greenhouse gas emissions even further, particularly among small and medium-sized companies. But he cautions against the imposition of regulations that could impede further progress.

"We need to encourage continued investment in technology and processes that reduce greenhouse gases. We don't need onerous or complicated regulations that are costly to implement and distract manufacturers from the good work they are doing," says Mr. Myers.

Pembina Institute climate change policy analyst Clare Demerse, however, argues that government policies to limit emissions are vital. "We need strong government leadership on this," she says. "Some companies are progressive and

have made the right moves, but many others have not, and until we put a price on pollution, that won't change."

Despite a lagging regulatory environment, many companies are seeking opportunities in climate challenges.

David Paterson, vice president of corporate and environmental affairs for General Motors Canada, says reducing emissions is an important focus within the automobile sector. Greenhouse gas emissions at GM Canada's plants are now 40 per cent lower than 1990 levels, and smog emitted by GM-manufactured vehicles is down over 99 per cent since the 1970s.

He says GM is firmly focused on offering customers a wider and more affordable choice of "green" vehicles.

"Although hybrids still make up less than one per cent of vehicle sales in Canada, demand is growing and we

are committed to meeting it," says Mr. Paterson. "But hybrids are only one part of the answer. Our strategy is founded on the fact that we will require a diversity of cleaner fuels and a much broader range of affordable green vehicle technologies to make real progress."

GM is bringing 10 different hybrid vehicles to market in Canada over the next year and has 15 models today capable of running on up to 85 per cent ethanol. GM also sells 15 vehicles with Active Fuel Management engines that conserve fuel in highway driving. By 2010, GM also plans to be selling its Chevrolet Volt plug-in electric concept vehicle with a rechargeable electric battery range of 64 kilometres eliminating trips to the gas station altogether for urban drivers.

Graham Kissack, director of sustainability for Rich-

mond, B.C.-based Catalyst Paper Corporation, says his company has achieved a 70 per cent reduction in emissions below 1990 levels mainly by switching to clean-burning wood waste and implementing energy efficiency measures.

"In essence, we switched from oil and diesel to cleaner alternatives such as natural gas and wood waste," he says.

The changes were astute and timely; Catalyst invested close to \$250 million over the past decade to cut emissions at its five manufacturing facilities. Mr. Kissack says the investment is paying off in terms of reduced emissions and operating costs.

"We are using energy far more efficiently than before, and by switching away from fossil fuels, we are not as exposed to current energy price increases as some of our competitors," he says. ■

Investors ignite action

Financial risks of climate change prompt calls for disclosure



By David Greenall
Principal Research Associate –
Energy, Environmental and
Transportation Policy
The Conference Board of Canada

Recognition of the economic and financial risks of climate change has moved it from the realm of scientific debate to the front lines of investment risk management. Putting a price on carbon will transform climate change into a competitive issue, creating assets and liabilities where they previously did not exist. Investors and corporations will have to adjust to the new reality of a carbon-constrained future. For

example, CIBC World Markets estimates that 40 per cent of the market capitalization of the Toronto Stock Exchange could be affected by carbon pricing.

A growing number of banks, insurers and large institutional investors – such as the Canada Pension Plan Investment Board, Caisse de dépôt et placement du Québec, and British Columbia Investment Management Corporation – see the potential for financial returns to be affected by climate change. They therefore want to assess their investment risk exposure and are demanding insight on company action regarding climate change. Disclosure is the window through which investors are able to see into the boardroom and company operations. Unfortunately, much of the information already reported by companies, either in voluntary sustainability reports, securities disclosures or to governments,

does not enable investors to accurately assess climate risks to long-term shareholder value.

As a result, a groundswell of investor action on climate disclosure is taking place. The most prominent example is the Carbon Disclosure Project (CDP). Representing 315 asset managers and owners (30 based in Canada) in 2007, with a combined \$41 trillion of assets under management – up from \$31 trillion in 2006 – the CDP seeks information on business risks and opportunities presented by climate change and greenhouse gas emissions data from 2,400 of the world's largest companies, including the 200 most valuable companies traded on the Toronto Stock Exchange. The CDP is premised on the principle that information is vital to the effective functioning of capital markets, with full and transparent communication and disclosure benefiting com-

panies and their investors.

2007 marks the second consecutive year that The Conference Board of Canada has partnered with the CDP and Canadian investors and corporations to improve the state of corporate climate-change disclosure.

In working with the Carbon Disclosure Project, the Conference Board has been guided by three main objectives:

1. We aim to facilitate the development of a clear, open and efficient exchange of information between the investor and corporate communities on the issue of climate change. Our contribution, through the CDP, to the development of an international carbon reporting standard testifies to our recognition of the need for a better and integrated system of reporting.
2. We intend to advance busi-

ness competitiveness and contribute to the effective functioning of Canadian and international capital markets by moving forward the discourse on how to communicate climate change risks to the investment community. We believe that disclosure can be a driver of change, encouraging action and improvement that benefits all stakeholders.

3. We want to contribute to public policy goals by promoting the role of the investment community and capital markets in working toward sound economic and environmental objectives. As regulatory compliance regimes to reduce GHG emissions come online, placing new expectations on companies but also creating the space for innovative business solutions, more investors are likely to place climate change in

their company-specific and portfolio analysis. Demands for financially relevant information will likely intensify and become more acute as the investment relevance of corporate carbon performance becomes a central competitive issue. In an era characterized by financial and governance scandals, the quality of a company's disclosure may directly affect its perceived risk profile. Corporations need to understand and adjust to this new reality. ■

This article is based on the CDP 2007 – Canada 200 report, which will be published on October 10, 2007. Information reported by companies to the CDP is publicly available via www.cdproject.net. CDP launch events will be held in Toronto on October 10 and in Montreal on October 11. To register for these complimentary events, visit http://www.conferenceboard.ca/carbon_5.htm

<p>CA2</p> <h2>Inside</h2> <p>SFU Professor Mark Jaccard urges Canadian politicians to stop peddling hot air.</p>	<p>CA3</p> <p>Business planning in a carbon-constrained world brings new complexities, but some companies are showing how it can be done effectively.</p>	<p>CA7</p> <p>The Canadian Standards Association and other organizations can help companies reduce GHG output.</p>
---	---	--

GARBAGE

DO YOU NEED A SOLUTION?

100 tonne per day (tpd) modules in a minimum 200 tpd configuration.
Waste conversion to syngas - zero air emissions.
Syngas to power - surpassing environmental standards.

PlascoEnergy
clean power for the local distribution grid.

- at no risk to the Municipality
- fully supporting the 3 Rs

OTTAWA TRAIL ROAD FACILITY

Green Space

REALpac recognizes the significant environmental, social and economic impact of Canada's commercial real property sector; it recognizes the need for an industry driven approach toward supporting national and provincial strategies on greenhouse gas reduction; it recognizes the importance of reasoned discourse with political and policy officials and the value of persuasive arguments for "sustainable" economic growth; it recognizes the need for industry-wide "Green" benchmarking data and shared best practices.

REALpac is working with its constituents and its national and international counterparts to help to responsibly ensure the sector is well positioned for a sustainable future: its leadership will position the sector and the country at the fore of sustainable business.

One University Avenue Suite 1410
 Toronto, Ontario Canada M5J 2P1
www.realpac.ca
info@realpac.ca
 T: 416-642-2700
 F: 416-642-2727

A climate for action

Policy

“Aspirational” targets: Déjà vu all over again



By Mark Jaccard
Professor of Resource and
Environmental Management,
Simon Fraser University

At the Australian summit meeting in early September, political leaders of the U.S., China, Canada, Australia and other Asia-Pacific countries enthused about “aspirational targets” for long-term greenhouse gas reductions. Some offered specific targets for reducing their national emis-

sions to 50 per cent or more below today’s levels by 2050. This sounds laudable.

According to my dictionary, an aspiration is an ambition, expectation or hope. And we all hope for reduced greenhouse gas emissions. But are aspirations what we should expect from our politicians? Or should we hope for more?

Because our Canadian politicians have been acknowledging and addressing the climate change risk for over two decades, we can learn from history – if we care to. In 1988, Brian Mulroney’s government set a target to reduce Canadian emissions to 20 per cent below their 1988 levels by 2005, and at the Earth Summit in Rio de Janeiro in 1992, he claimed that emissions in 2000 would be back down to their

1990 levels. In 1997, at Kyoto, Jean Chrétien’s government set a target to reduce Canadian emissions to six per cent below their 1990 levels by 2010. This year, Stephen Harper’s government set a target that emissions would be 20 per cent below their current level in 2020 and 65 per cent below in 2050.

Given that almost 20 years have passed since Mr. Mulroney started the business, we now have a lengthy track record for measuring the effect of these aspirational targets on Canadian emissions. They had no effect. Between 1988 and 2007, Canadian emissions have continued their relentless climb. Our emissions far exceeded the targets set for 2000 and 2005 and are at least 30 per cent above the Kyoto

target for 2010.

Any researcher in this area – in fact, anyone who understands anything about a modern economy – knows why these aspirations were meaningless. The policies our governments enacted to reach their aspirational targets were also...aspirational. These policies essentially “hoped” that Canadian individuals and firms would reduce their greenhouse gas emissions. The policies included product labels, information brochures, advertisements, demonstration projects, awards, lots of speeches and some subsidies. There was no compulsion. There were no financial or regulatory repercussions for any Canadian firm or individual if they maintained or even increased their greenhouse gas

emissions. And this is still the case today, a decade after the Kyoto agreement.

Of course, governments have plenty of means to ensure that targets are met, even so-called aspirational ones. If our politicians make firm commitments that drivers will not speed in school zones, they ensure the outcome by applying financial penalties and regulations. Speeding drivers pay fines. Repeat offenders lose their licences. If our politicians truly wanted to reduce greenhouse gas emissions, their policies would be similar. All emissions in the economy would face a financial penalty. This cost of emitting would result from either an emissions tax or the cost of emission permits in some kind of tradable permit system. Either way, the

solution – the only possible solution – is the same. Emissions have to face a cost. If, instead, governments continue to allow firms and individuals to treat the atmosphere as a free waste receptacle for greenhouse gas emissions, these emissions will not fall. This is certain. The only uncertainty is how long the Canadian public will allow politicians to keep peddling their aspirational targets. ■

*Mark Jaccard is professor of resource and environmental management at Simon Fraser University. This article is based on his new book with Jeffrey Simpson and Nic Rivers called *Hot Air: Meeting Canada’s Climate Change Challenge*. It is available this month from McClelland and Stewart.*

Chief executives weigh in on policy debate



The challenge of climate change is daunting, but it offers immense opportunities for Canada. The private sector will be the source of the vast majority of emissions-reducing technologies, and Canada must provide a policy environment that allows innovative firms to realize their full potential.

Real and sustainable improvements in environmental performance come when healthy firms are able to make productive investments in new technologies, and when they can attract capital and expertise to drive innovation.

As governments set regulatory targets and requirements, a consistent approach therefore is essential. Investments in technology and capital equipment are long-term, and companies need to know that the rules on which such investments are made will not be changed arbitrarily.

Our goal must be to drive energy innovation that will cut Canadian emissions of greenhouse gases, strengthen Canada’s competitive advantage and enable Canada to make the greatest possible contribution to a sustainable global economy.

– Canadian Council of Chief Executives



This report was produced by RandallAnthony Communications Inc. (www.randallanthony.com) in conjunction with the advertising department of The Globe and Mail. It did not involve The Globe’s reporting or editing staff. Richard Deacon, National Business Development Manager, rdeacon@globeandmail.com.

taking action on

CLIMATE CHANGE

it’s everyone’s responsibility – including ours

At Suncor Energy, we take this responsibility seriously. We were one of the first energy companies to take action on climate change – and this year marks the 10th anniversary of the action plan that has guided our efforts.

Suncor’s 2007 Progress Report on Climate Change details what we’ve done, where we stand on some of the big climate change questions and where we’re headed – in managing our own emissions, developing new technologies and pursuing renewable energy alternatives to help reduce greenhouse gas emissions.

53.1 million*

tonnes of CO₂ prevented from entering the atmosphere through GHG management efforts

26%*

decrease in GHG emission intensity

51%*

decrease in GHG emission intensity at oil sands

\$250 million

invested in renewable energy initiatives

*Suncor’s progress to the end of 2006 (compared to 1990 baseline).

To find out more about Suncor’s decade of action on climate change, read the report at www.suncor.com/climatechange



A climate for action

Essential strategies

Business planning in a carbon-constrained world

Governments, investors and businesses face the challenging task of trying to balance the cost of doing nothing with the cost of action.

Valerie Chort, partner and national leader of Deloitte's Corporate Responsibility and Sustainability Practice, says, "Long-range planning is always challenging, given the risks of fluctuating costs, the magnitude of capital investments, potential for changes in domestic and international regulatory and political environments, technological risks and other unknowns. Now, climate change is introducing a further level of uncertainty, making it even harder to develop sound corporate strategies for the mid to long term."

Yet, in this complex environment, some companies are factoring emissions reductions into prosperous business plans.

Enbridge Gas Distribution has added an average of 50,000 new customers to its distribution system in the Greater Toronto Area in each of the past five years – while reducing its absolute greenhouse gas (GHG) emissions by 18 per cent between 1990 and 2005.

Chris Gates, manager of sustainable energy, says, "We're a mature utility, with a history of about 160 years in the Toronto area, so we have a mix of very old and brand new infrastructure. As we add new customers, we're using state-of-the-art technology, and our decision back in 1990 was to begin replacing the older infrastructure for system integrity and reliability reasons. As we were replacing that infrastructure, we were also reducing emissions."

"Safety and reliability are key aspects of how we conduct our business, but when we're doing this kind of work, we're also benefiting the environment and the shareholder."

At Wal-Mart Canada, the country's largest commercial purchaser of clean energy, waste will be reduced by

there is also the (somewhat lesser) risk of litigation."

But the most overlooked element of business planning for a carbon-constrained future may be the potential opportunities. "Climate change is going to transform the economy," says Mr. Taylor. "You really can't look to any busi-

ness opportunity or technology without thinking about it.

Companies should be focusing on opportunities to generate both reputation and financial value by capitalizing on greenhouse gas opportunities."

Businesses also need to plan for a changing climate, says Dr. McBean, in part

because today's decisions will make a difference 20 years from now. In the shorter term, impact of changing environmental conditions including warmer, wetter, dryer or stormier weather – or rising sea levels – must be considered.

There is no question, says Ms. Chort, that effective cli-

mate change planning is becoming essential. "Tools such as enterprise risk frameworks and scenario planning can help address the heightened uncertainty that the issue of climate change presents, and allow businesses to be prepared for the most plausible future situations."

"Managing in the face of uncertainty is the name of the game, and those companies that demonstrate a comprehensive, integrated and in-depth management response to the risks of climate change have the opportunity to differentiate themselves and be rewarded in the financial marketplace." ■



“
By reducing waste, you're going to trigger cost savings.
”

87 million kilograms and CO₂ emissions by 19,000 tonnes this year alone. Of Wal-Mart's far-reaching sustainability initiative, Andrew Pelletier, vice president of corporate affairs, says, "By reducing waste and energy, if you're doing it properly, you're going to trigger cost savings. We don't believe you have to choose between a strong environment and a strong economy."

Such examples provide a useful model to Canadian corporations struggling to balance the risks of climate and regulatory change with the risk of investing in green efforts that may not be viewed as good value by shareholders.

One thing is certain – the need for action is clear. Gordon McBean, a professor at the University of Western Ontario, and chair for Policy in the Institute for Catastrophic Loss Reduction, says, "There will be an extra cost for greenhouse gas in the future. Those impacts are understood well enough that businesses should be factoring them into their decision processes."

Leading environmental lawyer Gray Taylor, a partner at Bennett Jones LLP, says, "The issue of climate change is front and center at this point, and the public isn't going to let it go away. There is a risk to the reputation of companies, there is regulatory risk, and

where PIPELINES meet CANADIAN WINDS

Wind power. Another way we're working to create new energy solutions. Our four wind projects power over 90,000 Canadian homes. And help reduce smog, acid rain, and the greenhouse gases that contribute to climate change. It's the kind of thinking that makes us one of only five Canadian companies ranked in the Global 100 Most Sustainable Corporations in the World.

Enbridge is a Canadian leader in energy transportation and distribution. For our complete Corporate Social Responsibility Report visit enbridge.com

