

# r e v i e w

News from the National Round Table on the Environment and the Economy

## GLOBE 2004 panel discussion on Capital Markets



(Left to right) Helen Kearns, President, NASDAQ Canada; Gene Nyberg, Acting Executive Director and CEO, NRTEE; and Patricia McCunn-Miller, NRTEE Vice-Chair, and Co-Chair of the Round Table's Capital Markets and Sustainability Program addressed nearly 200 participants at a Round Table organized discussion at the GLOBE 2004 conference in Vancouver.

- Energy and Climate Change
- Abitibi Region Boreal Forest Workshop
- EFR Case Studies

As part of its Capital Markets and Sustainability (CMS) program scoping activities, the National Round Table on the Environment and the Economy (NRTEE) organized a panel discussion April 1 in Vancouver at the eighth annual GLOBE 2004 trade fair and conference on business and the environment.

Gene Nyberg, NRTEE Acting Executive Director and CEO, gave the opening remarks and explained that the NRTEE is looking for feedback on its new CMS program.

Mr. Nyberg introduced Patricia McCunn-Miller, Co-Chair of the NRTEE CMS program and NRTEE Vice-Chair, who shared insights and recommendations from the five CMS scoping sessions held across the country and explained why the NRTEE has launched this program:

"Stakeholders expect businesses to do more than generate a profit: they expect them to do it responsibly."

Ms. McCunn-Miller noted that while corporate responsibility (CR) matters to those who have dealings with business—investors, governments,

### Capital Markets and Sustainability backgrounder

With the goal of releasing a *State of the Debate* report late in 2005, the NRTEE's Capital Markets and Sustainability (CMS) program is moving out of its scoping phase and working on appointing task force members and commissioning research. The task force will include representatives from a variety of sectors including business, finance, the federal government, associations and non-governmental organizations.

Scoping meetings in Ottawa, Toronto, Calgary, Vancouver and Montreal during this past fall and winter identified a number of key issues. For example, capital markets punish poor social and environmental performance, but there is a lack of well understood key performance indicators to allow proactive analysis of sound corporate responsibility (CR) policies. There is a need for metrics to measure CR performance so that good CR performance can be adequately rewarded by capital markets—right now it is hard to compare the CR performance of companies. It is also clear

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regulators, communities, partners and employees, for example—CR also matters to businesses that want to operate profitably and responsibly. However, there are obstacles.

“The links between capital markets, financial performance and CR performance are evolving, though the precise mechanisms and measures by which CR performance may translate into financial results and strong access to capital markets are not well understood. That is our challenge,” Ms. McCunn-Miller observed.

Panelists included: Peter Chapman, Executive Director, Shareholder Association for Research and Education (SHARE); Gordon Gibbons, Vice-President, Leith Wheeler Investment Counsel Limited; Helen Kearns, President, NASDAQ Canada; and Alan Willis, Project Director, Performance Reporting Initiatives, Canadian Institute of Chartered Accountants. Each panelist spoke, and then a question and answer session followed. Nearly 200 people attended the panel discussion.

For more information on the NRTEE’s CMS program, please see the accompanying story. **b**

### Capital Markets and Sustainability, continued...

that the short-term focus of most capital markets is at odds with the long-term perspective of CR risks and opportunities.

Many participants in the scoping meetings spoke against regulation in this whole area and emphasized that leadership on the capital markets and CR issue should be voluntary.

The CMS program started out last fall with the intention of addressing a number of fundamental questions:

- Is there a financial return or benefit to business in pursuing CR policies and performance?
- Are CR policies and performance rewarded through the investment allocation decisions of fund managers in the capital markets? Does CR positively impact an assessment of risk management capability and overall good management?
- If there is no clearly acknowledged reward or benefit, why not?
- Are CR practices, which in many instances address longer-term social and environmental risk management, difficult to assess within the quarterly performance yardstick

of the investment community? If so, what can be done to ensure that longer-term risk issues have due consideration?

The ultimate goal of the NRTEE’s CMS program is to articulate the state of the debate on corporate responsibility and responsible investment, and also to recommend changes in legislation and reporting practices.

One of the underlying premises of the CMS program is that engaging mainstream capital markets to consider sustainability factors in decision making will serve as a market force to help integrate sustainability principles into how companies do business and communicate—in simpler terms, it will help mainstream sustainability.

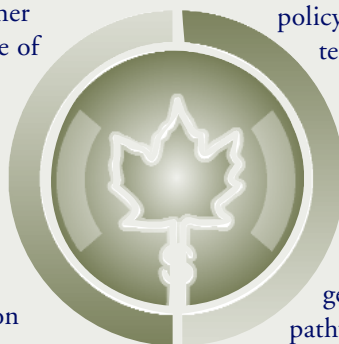
The Capital Markets Task Force is co-chaired by the NRTEE Vice-Chair Patricia McCunn-Miller and John Wiebe, President and CEO, the GLOBE Foundation of Canada.

For more information on this program, please visit the NRTEE Web site. **b**

## Using fiscal instruments to reduce carbon emissions: Ecological Fiscal Reform case studies

**A**s part of the program’s current focus on using fiscal policy to reduce energy-based carbon emissions without increasing other pollutants, the second phase of the NRTEE’s Ecological Fiscal Reform (EFR) program is in full swing, with case studies on renewable power, hydrogen, and energy efficiency scheduled for completion in June.

Each case study reports on the current baseline for that sector, and analyzes the potential impact of fiscal instruments in accelerating its development. The common assumption is that an increase in the contributions of these key sectors to the energy marketplace in Canada will result in long-term carbon emission reductions.



The renewable power case study defines a baseline for electricity, and the contribution to be made under current policy conditions by renewable technologies to the baseline. It then identifies, describes and analyzes a set of fiscal policy scenarios that might lead to greater adoption of renewable energy.

The case study on hydrogen identifies key hydrogen pathways for further analysis, discusses factors that limit market penetration of hydrogen technologies and evaluates potential fiscal instruments for dealing with these barriers.

Finally, the case study on energy efficiency (EE) examines opportunities in the industrial sector for uptake and develop-

ment of EE technologies, and analyzes the role of a shadow carbon price in accelerating current trends towards energy efficiency.

In addition to the three case studies, the EFR program is developing a *State of the Debate* report on Ecological Fiscal Reform and Energy, which will draw on the case study conclusions and the rich discussions that surrounded them to draw out some important lessons and findings for policy makers interested in these issues.

The EFR and Energy Task Force is chaired by NRTEE member Jean Bélanger, an Officer of the Order of Canada and past chair of the Canadian Chemical Producers Association. **b**

## The Abitibi Region boreal forest workshop



(Left to right) Gordon Peeling, President, Mining Association of Canada; William Borland, Co-Chair of the NRTEE's Boreal Forest Task Force and Director, Environmental Affairs, JD Irving Ltd.; Harvey Mead, Chair of the Round Table; and Wendy Carter, Co-chair of the Boreal Forest Task Force toured Louvicourt Mine, a gold, zinc and copper mine near Val d'Or, Quebec, following the Abitibi Region Workshop.

The NRTEE took the boreal forest program on the road recently for the first of three boreal forest case study workshops, this one in Rouyn-Noranda, Quebec on April 28.

At this one-day workshop, approximately 60 representatives from industry, local communities, Aboriginal groups, federal and provincial governments, as well as academic and non-government organizations discussed barriers to and opportunities for conservation in the Abitibi Region, which for the purposes of this NRTEE boreal forest case study straddles the provincial border and covers about 22 million hectares in Quebec and Ontario.

Brian Harvey, from l'Université du Québec in Abitibi-Témiscamingue, facilitated the workshop. Harvey Mead, Chair of the NRTEE, gave the opening address. Other speakers included NRTEE members and co-chairs of the NRTEE's Boreal Forest Task Force Wendy Carter and William Borland, Director, Environmental Affairs, JD Irving Limited.

### Issues Discussed

Workshop participants discussed the preliminary observations in the NRTEE Abitibi

Region case study and the best way to move forward on integrating conservation and economic activity in the Abitibi boreal forest ecosystem. Key issues discussed included, for example:

- the potential for joint Ontario-Quebec conservation initiatives and current fiscal restraint by both provincial governments
- forest certification standards, incentives and ramifications
- the potential for integrated regional planning in Ontario
- the potential benefits of one comprehensive access strategy for the case study region
- landscape planning measures in Quebec
- balancing development with protection of caribou herds
- the declining allowable harvest of wood from public lands and the possibility of a triad approach to development, which involves zoning some land for protection, some land for intensive forest management, and the remainder for low- to moderate-intensity management.

## Development and conservation in our boreal forest: Program update

As described in the last issue of the *Review*, three boreal forest case studies are under way in the second phase of the NRTEE's nature conservation program.

The NRTEE's boreal forest task force is scheduled to meet in June to discuss the final case study reports, which will incorporate workshop feedback. The NRTEE is planning to release a *State of the Debate* report incorporating the boreal forest program's findings and key recommendations in the spring of 2005.

The boreal forest was chosen for this nature program second phase because a key finding of the NRTEE's *Securing Canada's Natural Capital* report was that Canada's boreal forest is likely one of the few remaining areas in Canada where it is still possible to secure our natural capital in the context of sustainable development.

Canada's boreal forest is one of the world's three great forest ecosystems, and spans a third of the country's total land area.

For more information on the boreal forest program, please see the NRTEE Web site. b



### Two Other Workshops

While the *Review* was in production, two other boreal forest case study multistakeholder workshops were taking place. One was May 3 in Fort McMurray, Alberta discussing the Alberta-Pacific Forest Management Agreement Area. In Fort St. John, British Columbia on May 6, the Muskwa-Kechika Management Area was in the spotlight. b

# Energy and climate change: Creating an energy system that works

**A**s mandated by Prime Minister Jean Chrétien last August, the NRTEE is embarking on a major climate change and energy initiative. The mandate consists of studying and informing Canadians on the potential for future emissions reductions, and was included in an Ottawa speech last August announcing further commitments toward implementation of the federal government's climate change plan for Canada.



The NRTEE will therefore explore, from a Canadian and continental perspective, the links between energy, climate change and the economy. The goal is to contribute to an integrated long-term energy vision that will meet the challenges posed by climate change, the need for energy security and other such issues. This exploration will take into account other countries' efforts in this area and the likelihood that we'll need

new energy technologies to fully meet ongoing carbon constraints.

The first stage of this program will be to create a foundation paper that will identify the most pressing debates and key information gaps related to a long-term linking of energy issues and climate change. The foundation paper, to be developed for the fall, will be the springboard for the NRTEE's new energy and climate change work. The parameters of this future work are currently being negotiated with the appropriate federal government departments.

Watch for more information on this initiative in the next issue of the *Review*. **b**

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