

## **Globalization and Sustainability**

### **Speaking Notes for Patricia McCunn-Miller, NRTEE**

#### **Couchiching Conference on Globalization and Democracy**

##### **1. Introduction**

It is a distinct pleasure to be able to participate in the 70<sup>th</sup> annual Couchiching Conference on Public Affairs. I am particularly happy to share this panel discussion with David McGuinty, President and CEO of the National Round Table on the Environment and the Economy, and Michael Harcourt, the former Premier of BC, and Senior Associate of the Sustainable Development Research Institute. The three of us have had many a rousing debate on issues of sustainability at the Round Table. And today we would like to take that discussion to the shores of Lake Couchiching and share some of our views with you.

I am on the panel today to provide you with a “Business” perspective on sustainability and globalization. Prior to joining PanCanadian and undertaking my current role as head of Environment and Regulatory Affairs, I worked as a lawyer in private practice (law), and with a Crown Corporation – so I have a broader appreciation of public policy issues and design. But the role that I have enjoyed the most and the one that I find to be most gratifying is the one that I am able to undertake through the support of PanCanadian.

PanCanadian is one of Canada’s largest producers of energy, with a market capitalization of approximately 11 Billion-Dollars (based on today’s stock price). We have been a part of the Canadian Pacific Consortium since 1958 as CPOG (Canadian Pacific Oil and Gas). PanCanadian was founded in late 1971 by integrating CPOG and Central Del Rio. This fall, we will become 100% publicly traded and take our place as Canada’s largest independent energy company, and the fourth largest in North America.

So why do I consider my current role so gratifying? Because I work for a company that values the environment and community investment ...and I get to lead the development of a sustainability strategy, working with an extremely talented and committed group of individuals. Like many in the oil and gas industry, PanCanadian is making the transition from “oil and gas

company” to being an energy provider. It is this transition which offers the greatest opportunity and challenge for the implementation of sustainability. I truly believe that it will be the private sector, and leading companies like PanCanadian, that will demonstrate leadership in sustainability. We are on the cusp of the next generation of sustainability strategies where the desire will be to align economic, environmental, and social performance.

This transition is being driven by a commitment for sustainability on the part of some businesses. I hope to impart some of that to you today.

## **2. Some Initial Questions**

### **Turning at the questions posed to this panel:**

- **Globalization – Whose world is it anyway?**
  - ↳ It’s the world that we choose or have chosen to create. For my industry, we are generally driven by global pricing, but are also impacted by the physical limitations of the continental market. One of the greatest impacts of globalization, is the competition for capital investment, and the worldwide flow of capital to the most attractive investments.
  
- **Are the economy and the environment necessarily a trade-off?**
  - ↳ NO; but the challenge for government and business is to make the alignment between environment and the economy happen... and this may mean that we have to cast off the “old ideas” to allow us to shape the “new ideas” that will allow us to make the convergence of economic and environmental success a reality.
  
- **Do efforts by citizens and companies hold out hope for earth-friendly globalization?**
  - ↳ Yes. It is the collective “we” that is facing global challenges – in our many different roles – as business, as government, as private citizens... within our companies, our organizations, our communities, our homes... On all those levels, we are all grappling with a cognitive overload of information, which we are trying to understand and act upon. Sustainability is not an “us” and “them” debate. We are all part of a shared circle of responsibility.

Today I would like to provide a view on what sustainability can be from a business perspective, and why some companies are integrating sustainability into their strategic planning.

### **3. The Concept of Sustainability**

The concept of sustainability or sustainable development first arose in the 1970's. The Brundtland Commission [1987- *World Commission on Environment and Development Report, "Our Common Future"*] definition serves as a useful starting point for discussion.

**“ Development that meets the needs of the present without compromising the ability of future generations to meet their needs”**

For the purpose of this talk, it is helpful to articulate “sustainability” in a business context:

**“Meeting social and environmental responsibility while enhancing the company's economic performance”**

or

**the integration of the economic, environmental and social aspects of our business.**

Sir John Elkington, head of U.K. SustainAbility, coined the term the “triple bottom line” in addressing the sustainability challenge for business. That is:

1. economic wealth (profit)
2. environmental improvement
3. social responsibility

The challenge for business is how to balance these three components and position for competitive advantage.

I think that the chair of Shell – Marc Moody-Stuart expressed this need for balance well when he stated:

**“Excellent environmental performance is meaningless if no wealth is created. Wealth in a destroyed environment is equally senseless. And no matter how wealthy, a society fundamentally lacking in a social equity cannot be sustained.”**

In the future, companies will report and be measured on all three bottom lines, which is why the NRTEE, the Canadian Institute of Chartered Accountants, the Global Reporting Initiative and others are working to develop the appropriate indices to assess corporate performance on the environmental and social levels.

#### **4. Globalization: One of the Drivers of the Sustainable Agenda**

Sustainability strategies in the corporate world are driven in part by globalization pressures:

Urbanization, resource depletion, Internet connectivity, changing societal or social values, economic destabilization, environmental issues such as climate change, clean air, clean water...

We are becoming a “borderless” world, impacted by “borderless” issues

- ↳ markets & competitors are no longer neatly contained by geography
- ↳ nor are environmental and social issues

These are challenging new circumstances for governments and business. Global pressures are changing the context for business and influencing business responses. One of the changes that will bring about a different business response is the increasing influence of consumers. Shifting cultural values will reshape the market. If consumers change the “wants” they express when they

buy a product or service, their individual values will drive the market and recast stakeholder expectations of business.

Therefore, where environmental and social performance may once have been peripheral to business, they are now increasingly embedded in the competitive strategies that companies develop to thrive in the short term, and to sustain themselves over the longer term.

Sustainability is rapidly becoming more critical to global competitive advantage and profitability, to shareholder value and stakeholder satisfaction. Enlightened companies understand that they have a role to play in addressing sustainability, and that solid performance in this area will be valued by shareholders, other stakeholders, and the wider community. Currently the link between triple bottom line performance and market performance is, in many ways, still intangible. But that too is changing. (Dow Jones Sustainability Index, SAM-Zurich, Innovest). Markets are becoming more aware and better equipped in making these evaluations.

## **5. Business and the Development of a Sustainability Strategy**

So how does business align its economic, environmental & social performance in response to the sustainability challenge?

I see sustainability and sustainability strategy as a continuum. One way to look at corporate action on sustainability is through a four-phase approach. (articulated by Kevin Brady et al in their book “Mapping the Journey”)

### **I. The “ understanding” phase or “ charting the landscape”**

Business needs to understand stakeholders’ expectations. Customers and shareholders are increasingly becoming a dominant influence. Communities, NGOs and other stakeholders also have an influence on corporate understanding.

### **II. The “planning phase” or “choosing the destination”**

Based on its understanding of stakeholder expectations, business can better define its commitment to sustainability and articulate a specific set of goals and priorities.

### III. **The “Mapping the Journey” phase.**

To develop a successful sustainability strategy, it is critical to put systems, programs, measures and tools in place to support the philosophical commitment. (e.g. Business systems such as EMS, performance measures; programs, including the practices, standards and guidelines to carry them out).

### IV. **Phase four consists of “mid-course corrections” or on-going adjustments**

It is important to report on progress to internal and external stakeholders, solicit feedback, review and make adjustments.

I would be tempted to add a fifth phase, based on a view expressed by Allan Hammond of the World Resources Institute (WRI). The challenge for business, beyond addressing the economic, social and environmental considerations that form the triple bottom line, is to move to the “next bottom line” where social and environmental concerns are fully integrated into corporate strategy. This means moving sustainability out of the realm of being an “initiative” or an “add-on”, so that it becomes a key driver of corporate strategy.

As business begins to take this next step, the “triple bottom line” collapses into one bottom line reflective of all three corporate values.

Sustainability has been characterized by some as a journey, not an end-point. That makes sense to me. One way of understanding a sustainable business strategy is as a flexible tool that must be attuned to social and environmental change and adjusted over time to accommodate a broader view of successful outcomes.

If environmental successes in the 80’s and 90’s dealt largely with waste minimization and reducing the environmental footprint of business –the new millennium might be our opportunity to begin displacing incumbent technologies and making environmental innovation a central feature of every process or design.

Sustainable businesses will want to position themselves as solution providers with a strong bias toward innovation.

And these are indeed the elements of the competitive advantage to be gained through sustainability – innovation, new business models, new technologies.

The link to globalization could hardly be more clear. In so many ways – from the opportunity to communicate instantaneously around the world, to the pressing need to confront the economic and social impact of global environmental issues – global change forces us to understand the interconnections between economy, environment and society. Businesses are rapidly understanding that they cannot ignore the triple bottom line – that its seamless integration into corporate strategy will determine our own sustainability over the longer term.

How does an energy company like PanCanadian meet the sustainability challenge?

- Continuing to strive to reduce environmental impacts of operation (e.g. wetlands, zero-emission facilities, low impact seismic, seismic swapping)
- Increased eco-efficiency (reduced energy inputs in production processes; life-cycle analysis)
- Investing in developing the next generation of energy innovation (e.g. Weyburn CO<sub>2</sub> flood, biomass)
- Alliances with our customers – to support their efforts to achieve their sustainability goals (silicon energy)
- Investing in our communities – with an emphasis on youth and education (e.g. student choice awards)
- Consultation with stakeholders.
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## **6. Conclusion**

Business is in transition – and during this time of profound evolutionary change there is a need to recognize that sustainability is a shared responsibility. There are no black hats or white hats. The environmental and social stresses we face call out for action by citizens, business and

government. Government has a significant role to play, not by introducing command and control legislation, but by eliminating regulatory and fiscal disincentives that impede new solutions and joining with business and the public to build creative partnerships and effective solutions.

Sometimes we may worry that the sustainability challenge cannot be solved, particularly when tough issues are viewed at the global level. But this is precisely where government and business can demonstrate leadership, by taking part in an open and creative dialogue about business drivers and public policy drivers. This dialogue must address market mechanisms and flexible tools which will create incentives for business and markets to do things differently, in a way that aligns economic success with environmental success. The bold vision is to reject the trade-off between economy and environment and to make the alignment of environmental and economic success our goal.

Issues which need to be addressed include,

- how to support the development of the next generation of energy sources,
- the use of economic investments to incentivize the introduction of new technologies, as well as innovation in the application of current technologies.
- what is the appropriate pace of change,
- how to establish a creative environment where business, government and society can engage in the kind of dialogue that is so central to the work of the National Round Table, and for which the Couchiching Conference has distinguished itself over the years.

These changes will occur but sustainability is not going to come easy. There are significant challenges that we are going to have to wrestle with as business reaches out to achieve the triple bottom line. These challenges include:

(i) Competition for capital. Business must be profitable in order to address social and environmental performance. We must be cautious to seek out approaches which do not overburden projects with costs and regulatory obligations – to avoid capital investment moving outside of Canada.

(ii) Local/community benefits. The issue is in finding a fair and equitable way to distribute investment (not just financial) between communities. There needs to be alignment between business, government, and communities and a shared vision.

(iii) Fiscal models. There is a need for economic instruments that will facilitate the extensive investment that will be necessary to further improve environmental performance. [How to promote GHG reductions and profitability e.g. tax credits associated with geologic sequestration, royalty breaks, CO<sub>2</sub>-EOR; R&D incentives to address next generation technologies e.g. Vapex vs. SAGD]

Although people are in general agreement on the broad goals of sustainability – there are vast differences of opinion on how we can reach these goals and the appropriate timing. Those issues, along with some of the challenges I have outlined for you today, will drive business strategies and will also inform the work of the NRTEE, in its role as a catalyst in identifying, explaining and promoting in all sectors of Canadian society the principles and practices of sustainable development.