

Corporate Environmental Innovation (CEI): a government initiative to support corporate sustainability leadership

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Abstract

Environment Canada's¹ Corporate Environmental Innovation (CEI) initiative is a partnership-based governmental initiative designed to help accelerate innovation and to improve the environmental performance of companies. Specifically, CEI brings together industry, the finance sector, academics, non-governmental organizations and other government departments in three areas of engagement, each of which is described in this paper. Through discussion of the practical projects being implemented in each of these areas, this paper considers the role that targeted strategies to support environmental leadership and innovation can play in advancing adaptive, efficient and effective environmental management. In particular, this paper describes how partnerships and open dialogue are fostering greater alignment of the full spectrum of stakeholders with the goals of sustainable development, to leverage environmental results that go beyond the traditional boundaries of institutional roles.

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1. Introduction

The past three decades have seen dramatic reductions in some of the impacts of human economic activity on the environment (e.g. point-source emissions of certain toxic substances). Despite these successes, there is growing recognition that remaining environmental challenges, the escalating complexity of emerging environmental issues, and the underlying goal of sustainable development demand a wider and more integrated spectrum of approaches than has been used in the past. At the same time, growing public awareness and understanding of

environmental issues and their impact on human and health and quality of life is generating higher expectations for leadership on social and environmental standards and for more systematic solutions from governments, industry and other stakeholders.

In response to the need for new approaches, government's role is changing. To date, this has included the development of mostly voluntary and sometimes market-based policies that enable decision-makers to surpass minimum standards by adopting a more integrated approach to environmental management. These policies apply government leverage to strengthen and expand the linkages between environmental performance and long-term economic competitiveness and innovation. They aim to foster markets that systematically reward environmentally responsible corporate practices.

Over the last decade, governments worldwide have approached this challenge with strategies to assist companies in realizing the cumulative benefits of sustainability—the “triple dividend” of improved

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¹ Environment Canada is the Canadian federal department with the lead responsibility for environmental protection and conservation. It is one of numerous government departments with a mandate to motivate sustainable development. For more information on Environment Canada initiatives please go to <http://www.ec.gc.ca>.

environmental, social and economic performance. Common elements of these governmental strategies include:

- risk management and regulatory regimes that promote environmental innovation, use market forces to motivate environmental improvements and punish companies that fail to meet minimum standards;
- information disclosure initiatives to help consumers and investors make market decisions based on an informed understanding of financial, environmental and social performance and risk; and
- assistance to companies in developing and using sustainable development tools and technologies that allow them to realize environmental and financial performance benefits.

Canada has been no exception. Over the past three decades, Canada has defined and established environmental standards and objectives and put in place a regulatory foundation upon which environmental leadership and innovation can be built. For example, Canada's primary piece of environmental protection legislation—the *Canadian Environmental Protection Act 1999* (CEPA 1999)—protects the environment and health of Canadians through a combination of preventative and precautionary approaches to identifying, preventing, minimizing and managing risk.

With this risk management system in place, Environment Canada is increasingly exploring information and other market-based instruments to support the capacity of decision-makers to reward environmental innovation and leadership. These strategies are evolving in recognition of the changing global economic context, where environmental sustainability is beginning to emerge as a driver of long-term economic competitiveness. The Canadian Minister of the Environment, The Honorable Stéphane Dion, has described the significance of this emerging context as “the revolution of the sustainable economy” [1] where economic success is increasingly tied to environmental sustainability.

Many of Environment Canada's initiatives in this area are in early stages or are focused on specific regions of the country or industrial sectors. However, they have the potential to contribute to the implementation of supportive governance frameworks that advance sustainable development. By applying the right balance of efficient regulatory programs, incentives and enforcement with complementary initiatives that support capacity-building and ensure accountability, Environment Canada can help align environmental and economic performance and help Canadian companies become more competitive by integrating environmental performance into their business strategies.

This paper describes Environment Canada's Corporate Environmental Innovation (CEI) initiative as one example of the Department's efforts to foster greater

alignment of corporate activity with the goals of sustainable development. CEI is a voluntary, partnership-based initiative to accelerate sustainability innovation and improved environmental performance in the corporate sector. In collaboration with industry, academics, non-governmental organizations (NGOs) and other governmental departments (OGDs), CEI develops and implements research projects and information initiatives to support Canadian corporate sustainability leaders and to encourage other companies to follow their example.

While this paper discusses CEI's work in the broader context of an emerging global dialogue on corporate responsibility and sustainability leadership, it should be noted that CEI's primary focus is on the link between environmental performance and long-term economic competitiveness. Therefore, where this paper describes CEI specific initiatives, it concentrates primarily on the environmental context.

2. The Corporate Environmental Innovation initiative

Developed by Environment Canada in 2001, CEI is a policy-based initiative to support and encourage corporate sustainability leadership in Canada. CEI is premised on the understanding that the promise of sustainability—i.e. the systematic integration of economic, environmental and social objectives—will require specific market conditions: (a) regulatory and economic signals that enforce standards and reward progressive sustainable behavior; (b) companies with access to skills and tools to integrate sustainable development into their business models; and (c) a broad-based understanding and use of environmental performance information in decision-making by consumers and the investment community.

CEI therefore focuses on three areas of engagement to support business leadership, each of which is described in this paper:

- *Knowledge and information—making sustainability information available and relevant:* CEI's knowledge and information initiatives focus on helping to ensure that markets and consumers have useful, accessible and timely information on corporate environmental performance.
- *Linking sustainable development to business value:* CEI's work in this area is focused on bringing together the financial sector, corporations and other stakeholders to identify, develop and support the link between corporate environmental and financial performance and to make this link more relevant to business and financial sector audiences.
- *Tools and capacity—cultivating innovative corporations:* CEI's engagement in this area is focused on

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