



PERSPECTIVE

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FOCUS ON THE GREENING OF THE ECONOMY

Over the past several decades, the world has become increasingly conscious of the environmental impact of human activities. Greater awareness has created public pressure for more environmentally sustainable practices. However, Canada's recent environmental policy has been criticized for not doing enough to abate the environmental impact from economic development.

The recent negative perception of Canada masks positive developments that have been taking place. Many businesses recognize that environmentally sustainable practices are not just good for their reputation, they can also be good for their bottom line.

The lack of awareness about better environmental practices partly reflects the way the topic is traditionally discussed. People apply the term 'green economy' to a wide range of activities, yet it lacks a standardized definition, making it difficult to measure performance and assess progress. Narrowly defining some economic sectors as 'green' and others as 'brown', often excludes green initiatives being undertaken in sectors outside the 'green economy' umbrella.

A more useful approach is to focus on 'the greening of the economy', especially in the Canadian context. From fur trapping in the 1600s to current commodity extraction, development of the resource sector has always played a key role in Canadian economic growth, and it will continue to do so in the future. Canadian households and industry also have a large environmental footprint. This partly reflects Canada's heavily-urban and industrialized economy, vast geographic landscape and relatively cool climate.

The purpose is not to refute the view that Canada needs to keep improving environmental performance – because the country does. The goal is to illustrate how heightened awareness has a positive impact on the environment and to demonstrate that economic growth and environmental initiatives need not be alternatives, but rather complements that make everybody better off.

An appropriate definition for "the greening of the economy" suggested in a recent TD Economics report of the same name would be: "The aggregation of consumer, corporate and policy efforts to increase operational efficiency and minimize environmental impact while fostering economic growth, diversification and competition." This allows an evaluation of how environmental performance is adjusting alongside economic performance. It captures the desirability of balanced and broad-based economic growth, rather than dependence on one particular sector. It is a holistic perspective that is inclusive of efforts without creating a green/brown dichotomy.

There is a four-step process of greening (which usually occurs in sequence) across sectors of the Canadian economy: regulatory compliance, managing operational efficiency, environmental improvements through the supply chain, and the creation of new products and services. Looking at the performance of Canadian businesses with this lens, four trends become evident. First, environmental considerations are increasingly embedded into corporate decision making. Second, improving environmental efficiency can often result in cost advantages. Third, incentives to reduce



environmental impact drive innovation. And finally, corporate responsibility is an important motivator for improving environmental performance.

The evidence that greening is in fact taking place is compelling and helps to explain why we're witnessing a decoupling of economic growth from environmental degradation. Historically, economic growth and GHG emissions exhibited an almost 1-to-1 positive correlation. Post 1997, this correlation weakened significantly to the point where a 1 percent increase in GDP is associated with a 0.44% increase in GHG emissions. Although absolute emission levels have increased since 1990, emission intensity has fallen by 30%. And, despite the large amount of economic growth in the past 20 years, we've witnessed improvements in many of Canada's environmental indicators.

We need to stop thinking of 'a' green economy or 'the' green economy and start thinking in terms of the 'greening' of the economy. A holistic definition and framework for analyzing performance reveal that Canada is doing better than popular opinion might believe. There is no doubt that Canada must do more to improve its environmental performance, but we need to be careful not to diminish the progress industry, government and citizens have made. Rather than being viewed as an impossible task that sets the environment and economy at odds, acknowledgement of progress can be empowering. It creates promise that even more can be achieved. By changing the way we think about the relationship between the environment and the economy, we can motivate further thought about the opportunities to foster economic growth while preserving environmental integrity, thereby creating a brighter, cleaner future for Canada.

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