

November 5, 2008

**Sustainable Consumption and Production
Perspectives on a North American Vision**

Prepared for:

**US-Canada Regional Meeting on Sustainable
Production and Consumption
Background Paper #3**

Prepared by:

Five Winds International



www.fivewinds.com



TABLE OF CONTENTS

| | |
|---|-----------|
| CONTEXT..... | 3 |
| A VISION FOR NA | 4 |
| THE IMPORTANCE OF SCP AND PRIORITIES | 5 |
| EXAMPLES AND LESSONS..... | 6 |
| ACTIONS..... | 7 |
| SUPPORTING THE MARKET | 8 |
| SUPPLY CHAIN COOPERATION..... | 10 |
| SUMMARY | 10 |
| APPENDIX A: INTERVIEW QUESTIONS | 12 |
| APPENDIX B: STAKEHOLDERS INTERVIEWED | 13 |
| APPENDIX C: THE MARRAKESH PROCESS | 14 |

Discussion Questions:

1. How could we best encourage an innovative, entrepreneurial, cooperative spirit that would foster SCP thinking and action in North America?
2. Can you describe what the North American market would look like in 2022 if we made significant progress on SCP?
3. What are the most important SCP concepts that should guide our actions over the next two decades?



CONTEXT

This paper is one of three commissioned for the Joint Canada- US Regional Meeting on Sustainable Consumption and Production taking place November 6th and 7th 2008, in Washington DC. This North American discussion on sustainable consumption and production is being undertaken in support of the Marrakesh Process (see Appendix C) and it comes at an interesting and challenging time. Never before has the “social consciousness” and market interest in environment and sustainability issues been higher. At the same time we have witnessed over the past few weeks a drastic collapse in financial markets and a large erosion of trust in the financial system. This situation may represent an opportunity to address some of the fundamental improvements needed to accelerate the shift to more sustainable forms of consumption and production.

The objective of this paper was to take stock of stakeholder priorities and interests, and to better understand where North America should be focusing with respect to policies, programs and activities that will support a shift to more sustainable forms of production and consumption. To achieve this, a series of interviews were undertaken with a selection of stakeholders from a wide range of sectors (e.g. governmental, non-governmental, industrial), and interest groups (e.g. producers, consumers, environmental and social advocates).

This paper documents the perspectives heard in the interviews and it also draws on the experience of the authors from working with industry, government and civil society organizations to advance sustainable consumption and production over the last twenty years.

This paper is not a comprehensive review of sustainable consumption trends and production innovations. Rather it draws upon the informed opinions of a select group of individuals to explore; the importance of SCP for industrial strategy, competitiveness and innovation, priority issues and leading examples, the role of government and the market, as well as ways to effectively address barriers to shifting to SCP. The sample size was small and does not represent a full stakeholder consultation SCP but rather the select view of knowledgeable individuals from different stakeholder groups.

Many ideas are proposed and the merits of each will certainly need further vetting and evaluation. There are also areas that have not been adequately profiled (e.g. social priorities with SCP) that will need to be added to the discussion of SCP in North America. Having noted these limitations, the reader is encouraged to use the paper as an informed starting point for discussion on the future of SCP in the North American Context.



A VISION FOR NA

If real progress were to be made on sustainable consumption and production by 2020 what would that look like? Some perspectives from the interviews:

- Sustainability will be integrated into government, industry and consumer decision-making. SCP would then be obsolete as a topic –it would be obvious.
- Major targets will have been reached (e.g. GHG reductions).
- Wealth will be more equitably distributed.
- There will be real progress on measureable things – energy, waste, recycling, reuse – all moving in the right direction.
- There will be more local energy production and fewer exports and imports. Energy supply would be decentralised.
- There will be a bigger underground economy/ barter system.
- Companies will take a real leadership role in CSR.
- Sustainable consumption and production considerations will be woven into donor strategies – transfer of technology and expertise to developing world.
- Individuals will have greater courage to pursue, and tolerance for, different lifestyles (i.e. less consumption, less desire for the latest and the greatest).
- There will be no need for labels – all products will be produced sustainably.
- We will have lower unemployment.
- A carbon tax or cap and trade system would be in place.
- Cities will be denser and no energy inefficient homes would be built and no one will drive inefficient cars.
- The economy will be more service oriented and bartering and free cycling will be widespread
- There will be less landfill use, less toxins released to the environment, and increased quality of life.
- Industry will collaborate more on solutions.
- Public/consumers will be more in tune with choices they are making and live less materialistic lifestyles
- Energy independence will be a reality.



- Innovations in energy, green technology, and closed loop system will be widely adopted.
- Our thinking will shift from me to us.

People will value time and relationships over material goods. Civil society will play a more important role in daily life. People will be engaged in community life. It is important to note that these responses demonstrate the optimism of those interviewed although most acknowledged that they were being overly ambitious in describing their vision as being in place by 2020.

THE IMPORTANCE OF SCP AND PRIORITIES

Advancing SCP is vital for modernizing NA industrial strategy, achieving competitiveness and spurring innovation. In many areas (e.g. green buildings, organic foods, energy supply) markets are starting to reward leading companies that produce more sustainable products and services. Government has a role to play in accelerating this type of activity across more sectors and beyond the leading companies within those sectors. Without a more focused and concerted effort from business, government and civil society NA is at risk of falling behind (or further behind than it already is) other regions, particularly Europe.

For NA an industrial model that includes such strategies as product policies, producer responsibility, emissions trading, high standards, sustainable resource management, offers more promise models that rely on cheap inputs to production, low cost and quality, and weak standards. Aggressively progressing toward SCP represents an opportunity for NA to become a leader in knowledge, expertise, and technology areas that will be critical for all countries to adopt in the 21st century.

There are three high level priorities that need to be addressed with respect to meaningfully advancing SCP in the NA market:

- **Developing a vision and policy framework** to establish SCP as a priority for government, industry and civil society. This vision and framework needs to be compelling enough to ensure SCP becomes firmly integrated into decision-making processes in areas such as industrial strategy, economic policy and government purchasing. The framework should be clear, and spur industry to integrate environmental, social and broader based cost considerations into its strategy, business planning and core business processes (procurement and supply chain

“We want to be technology makers not technology takers”

“We will lose competitiveness if we do not make SCP a primary driver of industry strategy”

“We need to have industrial strategy which works towards the future and not the past”

“As we use markets to make things better we can tunnel through the damage created in NA and develop better technologies, expertise and knowledge for export”

“There is a critical mass of companies that get it, but they are still playing at the edges – there is not the step changes happening that we need”



management, capital expenditures, operations, product and technology development, sales and marketing).

- **Achieving a level of awareness of the importance of SCP** that will cause behavioral change – this will deepen the understanding and raise the importance of SCP and support more informed choices. Currently SCP is not a priority issue for many decision-makers. Without a deeper understanding of why SCP is linked to key policy objectives (e.g. climate change, economic development, productivity) and business priorities (e.g. efficiency, market access, innovation) discussion of opportunities to advance SCP will stall.
- **Making step change progress (e.g. factor 4 and factor 10 improvements)** on critical issues that must be addressed to move toward SCP (e.g. the footprint of the primary energy supply, the sustainability of the resource base, emissions of greenhouse gases and other pollutants from key sectors, improvements in material efficiency and associated reductions in resource consumption, radical reductions in wastes and supply chain improvements). Achieving the level of improvement required will require many changes including widespread adoption of solutions, aggressive pricing of externalities, removal of institutional barriers to change, improvements in standards, and investments in research.

EXAMPLES AND LESSONS

While there are some promising examples of more sustainable approaches to production, the majority of current activity is “playing on the edges” and does not represent the leaps in efficiency that are required.

Promising examples that were noted in the interviews include; corporate leadership on strategy and the setting of bold goals (e.g. Interface, DuPont) hybrid engine technology (e.g. Toyota), green building standards/rating schemes (e.g. USGBC and CaGBC), supply chain initiatives (e.g. Mountain Equipment Co-op, Patagonia and Wal*Mart), sustainable forest management (e.g. FSC Certification), improved products(e.g. Seventh Generation), product labeling and corporate reporting, emergent product take back schemes(e.g. HP and Xstrata) and financial sector support for innovative social enterprise business models(e.g. VanCity).

“Wal*Mart can get credit for NA action, but globally it drives lowest cost production not sustainable production”

“Best examples haven’t emerged yet”

There were no top of mind examples related to consumption although the emerging work on the carbon footprint of products may help raise the attention of consumers.

From what has been done, or discussed, to date there are a number of lessons that can be drawn.

- A strong policy and regulatory framework that sets the direction and goals, but not the detailed steps, to more sustainable forms of production and consumption is essential.



- Standards for quality and performance (e.g. durability, efficiency), need to be more aggressive.
- Credible, verified information on the sustainability attributes of materials, products and services will help government, industry and consumers make informed choices.
- Leaders need to be rewarded and government must not shy away from this. Conversely laggards need to be penalized.
- Externalities must be priced.
- Industry needs to set bold goals and take responsibility for putting good products in the marketplace.
- Leadership matters, price matters, and size and position in the supply chain matters (the Wal*Mart and GE effect) when it comes to affecting meaningful change.

One key challenge that needs to be overcome is that while technology and markets have made some significant improvements in per unit efficiency, ultimately they rely on rising consumption (to sell more units). The implications in a global market are significant since improvements in efficiency can be undermined (in terms of absolute impacts) by increased worldwide sales.

ACTIONS

Perspectives on the role of government have not changed significantly since the discussions at the UNCED conference in Rio de Janeiro. Governments still need to show leadership – by making SCP a policy priority and developing the framework (e.g. strategy, goals and associated policies and legislation) to guide others. They also need to integrate sustainability into purchasing, research and industry support programs (particularly for SMEs). A primary role for government is convening stakeholders to address critical issues (e.g. carbon capture and storage). In the view of some it may be time for government to consider restrictions on “unsustainable” products.

“The sustainable products are overpriced where as the cheap products are more easily accessible and affordable because externalities are not costed. This is an example of market failure.”

“Need better credible shorthand for labels LEED is a good example”

There are a number market levers that can be utilized to initiate, or accelerate, SCP. In general these actions will require industry to do its part to support the internalizing of externalities. Lending, insurance and investment practices should incorporate sustainability criteria (in some cases this is already being done). Industry generally needs to commit to the continuous improvement of performance in key areas (e.g. energy, materials, water, emissions and waste) and investments in research on step change or breakthrough technologies and products. The advertising industry and their clients have a role to play in communicating the value of more sustainable products and services. This is obviously a challenge to the current business model for this industry and a solution is not obvious at this time. Businesses can also combine their purchasing power to stimulate innovation and reward companies that produce more sustainable solutions. Consumers need to make their preference known for more sustainable products.



Other specific actions necessary to ensure progress toward SCP include.

- Getting the price right on greenhouse gas emissions and a range of other negative impacts of production.
- Ensuring the business, environmental and social value of producing more sustainable products is widely understood.
- Leveraging the purchasing power of governments to spur innovation toward more sustainable products.
- Integrating aggressive sustainability requirements into performance standards on a wide range of products.
- Supporting and rewarding first and early adopters of more sustainable technologies and practices. This support needs to come from governments, customers and consumers (e.g. through research incentives, recognition, regulatory relief and preferential purchasing/contracts).
- Support and help for SMEs who lack financial and technical resources needs to be made available. This support can come through government financing and incentive programs, tool development, research support as well as business to business partnerships.

Government can exercise five main powers

1. regulatory power – continue to raise the bar for industry
2. taxation power – shift taxes from good things (like incomes) to bad things (like pollution, carbon etc.)
3. purchasing power – institute green procurement policies to help create markets and to act as role models
4. convening power – bringing people together to discuss issues and solutions
5. recognition power – to applaud noble efforts

Ray Anderson, Interface

Interview from Environmental Sustainability Framework Project Pollution Probe/Five Winds 2006

Relationships and partnerships within supply chains also need to be enhanced to identify improvement opportunities. These types of partnerships need to be built in a way that ensures the sharing the benefits and value of the identified improvements, rather than one big player dictating the approach and capturing all the benefit.

SUPPORTING THE MARKET

To accelerate the market penetration of products with positive sustainability attributes it will be necessary to educate consumers, government and industry purchasing managers on the value of these products. As noted above the price will also need to be “right” and this can be supported by 1) pricing externalities 2) removing subsidies for “unsustainable” products and 3) utilization of life cycle costing tools. In addition, strong performance standards will support market penetration as will building sustainability into a product’s brand (i.e. sustainable products have higher value and function well). Implementation of such standards will need to keep in mind the effect on small and medium size companies as well as larger firms. Credible labeling schemes will be needed and in some circumstances government support may be needed to overcome market barriers (e.g. longer ROI periods for housing retrofits). One observation was that poverty alleviation will help improve some consumer’s ability to purchase more sustainable products and services.



Consumption and its impacts, driven by population growth and desire for material wealth, is the sleeping giant that represents the greatest barrier to achieving sustainable development. To address consumption governments need to tread carefully. A number of interests (e.g. developing and emerging economies, many companies and governments at all levels) are not comfortable talking about limiting consumption. Rather than talking about reducing consumption it is better to focus on over consumption and wasteful consumption. Consumption can be addressed through a number of mechanisms such as:

- Standards that eliminate waste (of energy, material, water etc...);
- Taxes that penalizes wasteful consumption;
- Incentives for high natural resource efficiency and huge disincentives for low efficiency;
- Regulation of waste per capita; and
- Quicker write downs for responsible activities.

A more challenging aspect of consumption is the prevailing NA mindset that shopping and material wealth lead to happiness. For many people today “big” (cars, houses, toys) is still better, but there is a segment of the NA population that understands that material wealth is not necessarily the key to happiness. To address this efforts are required to shift our view of people as rapacious consumers to seeing ourselves as contributing citizens. The advertising and marketing industry and their clients have a large role to play here, but so does education. Individuals need a better understanding of the product systems that are behind their purchases.

Another challenge raised was the notion of “shadow effects” which refers to unintended negative results/impacts that can arise from an activity; for example, the effects on food production from shifting to certain biofuels. This speaks to the need to be very comprehensive when evaluating solutions and the need to avoid addressing a narrow set of priorities but rather to consider a broad set of technical, environmental and social aspects of solutions(e.g. when evaluating relative sustainability performance of technologies, projects and products). Evaluations schemes and labelling programs that focus on a narrow range of environmental criteria may not produce the optimal results.

“The market is a poor place to protect whales”

“It’s inherently difficult to sell a sustainability message if there isn’t a market need/request for that message”

“Financing is a huge impediment in some sectors, particularly green building. We need to change the thinking away from the payback time to recover the cost of the retrofit or additional expense to a longer timeframe”



SUPPLY CHAIN COOPERATION

Shifting to more sustainable forms of consumption and production will require greater cooperation within value chains and among competitors. Fostering this type of cooperation can be supported by:

- Promoting and supporting industrial ecology partnerships where outputs of one system become inputs to another.
- Increasing transparency of the emissions profiles and life cycle impacts of product systems and supply chains so that areas requiring attention and collaboration can be identified and prioritised.
- Establishing centres of excellence to foster cooperation on solutions (e.g. carbon capture and storage in the energy sector) and to develop a strong business case and motivation for supply chain partnerships to support SCP.
- Establishing more sustainable purchasing networks.
- Document best practices, case studies and conduct pilot projects and share the results widely.
- Encouraging industry associations to bring companies together to address common issues and solutions related to SCP (keeping in mind the need to be careful of competitive and proprietary issues).
- Developing codes of practice and where appropriate third party audit and certification systems to monitor performance.
- Building on the experience of end-of-life requirements which have resulted in supply chain collaboration.

The “ground is shifting; increased accountability for the value chain will be a catalyst for change”

Supply chain initiatives were seen by many as offering one of greatest opportunities for improvement.

SUMMARY

Among those interviewed there was strong agreement around three main points: Pricing externalities, building understanding and creating a vision, and dramatic improvements in efficiency. Taking the ideas elaborated here and developing them into a vision and framework for action would be the next logical step. Doing this in a way that builds widespread buy-in and commitment from senior decision-makers in industry, government and civil society is critical.

There was surprisingly little mention in the interviews of the need for a business case and associated decision-making tools. This is perhaps due to a strong belief among thought leaders that the business case is obvious and that the mechanics of how to move forward have already been sufficiently elaborated (e.g. by Hawken, Hart, Lovins, Friedman, Willard, Senge etc...) to make significant progress. These approaches and tools include life cycle analysis, corporate sustainability frameworks, business case methodologies, management systems, product design



tools, industrial ecology models and many others. We do not lack an understanding among thought leaders on how to move forward on SCP, what is lacking, is widespread understanding of the urgency of the situation, a plan of action on the specific steps to move forward, and the political will to act on the plan.

Political will is critical. The type of progress required cannot be made by grassroots action alone. Nor is the inspired leadership by a handful of industrial leaders sufficient. Certainly industry has the responsibility to make meaningful progress on SCP, and consumers need to do their part but Governments have the responsibility to make SCP a priority. This means leading the development of the framework and taking a leadership role where it has the greatest influence.



APPENDIX A: INTERVIEW QUESTIONS

The experts interviewed were asked to respond to a series of questions related to sustainable consumption and production. In some cases written responses were provided and in others telephone interviews were conducted.

Question 1. In your view what are the priority issues with respect to improving NA progress toward more sustainable consumption and production?

Question 2. What is your perspective on the importance sustainable consumption and production for industrial strategy, competitiveness, and innovation?

Question 3. What are the best examples in North America of industry improving the sustainability performance of products or service it provides? Processes and technologies?

Question 4. What can be learned from these examples?

Question 5. What is the best way to make these types of activities common business practice?

Question 6. What is the role of government in translating the lessons learned into public policy?

Question 7. How can the marketplace be used to change business behaviour and consumer behaviour?

Question 8. Many 'sustainable products' are not widely available, are sometimes perceived as inferior quality, or are unaffordable for average consumers. How can access to 'sustainable products' be improved?

Question 9: How can governments intervene most effectively to reduce consumption or its impacts?

Question 10: Shifting to more sustainable forms of consumption and production may require greater cooperation within value chains and among competitors, what are the best means to foster this type of cooperation?

Question 11: Can you describe what the NA market would look like in 2020 if we made significant progress on sustainable consumption and production?



APPENDIX B: STAKEHOLDERS INTERVIEWED

The following individuals were either interviewed or provided written responses to the questions. It is important to note that listing these individuals here in no way implies their endorsement of this paper or the ideas it puts forward. The paper represents the author's interpretation of the results of the interviews.

Bryan Smith - Sustainability Author, Educator and consultant

Peter Dauvergne -University of British Senior Advisor to the President, Professor and Canada Research Chair, Office of the President, University of British Columbia

Paul Tebo - Retired DuPont Executive, Educator and Consultant

Lorraine Smith - Canadian Business for Social Responsibility

James Riordan - Executive Director, Environment Canada, Regulatory Innovation and Management Systems

Coro Strandberg - former Board member Vancity, Sustainability Advisor to the Vancouver Olympic committee and consultant

Marlo Reynolds - Executive Director, Pembina Institute

Nonita Yap - School of Environmental Design and Rural Development, University of Guelph

Mike Hales - Corporate Environmental Compatibility Program Dow Corning

Al Ianuzzi - Director, World Wide Environment, Health & Safety Johnson & Johnson

Jennifer Gaalswyck - Corporate Manager, Product Stewardship, Armstrong Flooring

Sara Kerr - United Technologies Corporation

Emanuel Prinet – Executive Director, One Earth Initiative.

Derek Nighbor - Senior Vice President, National Affairs - Retail Council of Canada

John Smiciklas - Research In Motion (RIM)

Ron Shimizu – Executive Director, Canadian Centre for Pollution Prevention

Annika Tamlyn – Policy Advisor, National Round Table on Environment and Economy

Claude Andre Lachance - Government and Public Affairs Director, Dow Canada

Bob Willard - Sustainability Author and Advisor



APPENDIX C: THE MARRAKESH PROCESS

The Marrakech Process is a global process to support the elaboration of a 10-Year Framework of Programs (10YFP) on sustainable consumption and production, as called for by the WSSD Johannesburg Plan of Action^[1]. The goals of the process are to:

- to assist **countries** in their efforts to green their economies
- to help **corporations** develop greener business models
- to encourage **consumers** to adopt more sustainable lifestyles.

In support of the Marrakech Process, in November 2008 a joint Canada-US regional meeting on Sustainable Consumption and Production will be held in Washington DC. The meeting will focus on some key questions, namely:

- What are the basic principles, concepts and vision for sustainable consumption and development in the U.S. and Canada?
- Of the large number of SCP activities already underway throughout Canada and the U.S., which can contribute significantly to the Marrakech process?
- What specific regional SCP priorities and issues should be addressed in more detail in subsequent meetings?
- What additional actions over the next year can help increase understanding of SCP and encourage constructive engagement in all parts of society, and promote follow through on ideas from this meeting?

To prepare for this meeting, stakeholders come from a wide range of sectors (e.g. governmental, non-governmental, industrial), and interest groups (e.g. producers, consumers, environmental and social advocates) were interviewed about their priorities and views on sustainable production and consumption in the North American context. A particular focus was on gaining a Canadian perspective on the questions outlined above.

^[1] <http://esa.un.org/marrakechprocess/>