UNIT-4 Creating Environmental Policy

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Outline the key requirements for an environmental policy
- ✓ Identify the key considerations that should be taken into account when when developing an enviroenmental policy.

Unit 4

Creating Environmental Policy

An environmental policy is a written statement, usually signed by senior management, which outlines a business' aims and principles in relation to managing the environmental effects and aspects of its operations. Having an environmental policy is essential if you want to implement an environmental management standard such as ISO 14001. It's also vital if you currently work or intend to work with large organizations, or if you need to demonstrate to customers and other stakeholders that you are committed to managing your environmental impacts in a responsible way.

This unit sets out the benefits of having an environmental policy. It makes suggestions for selecting the right format and content. It also gives useful tips on how to keep the policy up to date and how to extend its scope to include corporate social responsibility and sustainable development.

Benefits of Environmental Policy

An environmental policy forms the foundation of environmental improvements made for your business. It sets out key aims and principles.

Having an environmental policy can provide significant benefits to your business. These include:

- helping you to stay within the law
- improving information for employees about their environmental roles and responsibilities
- improving cost control
- reducing incidents that result in liability
- conserving raw materials and energy
- improving your monitoring of environmental impacts
- improving the efficiency of your processes

However, the benefits are not restricted simply to internal operations. By demonstrating commitment to environmental management, you can develop positive relations with external stakeholders, such as investors, insurers, customers, suppliers, regulators and the local community. This in turn can lead to an improved corporate image and financial benefits, such as increased investment, customer sales and market share.

It's important to bear in mind that these benefits are unlikely to be achieved if you just have an environmental policy in place. If you set up an environmental management system (EMS) this requires you to implement a program to systematically deliver your policy in a strategic way.

External certification of your EMS will help you demonstrate to customers, investors, regulators and other stakeholders that the environmental claims you make in your policy are credible, reliable and have been independently checked.

If you don't choose to set up a formal EMS, it's a good idea to at least apply some of the steps to ensure your policy is effective. This can include assessing the environmental impact of your business, developing appropriate key performance indicators, setting objectives and targets and reviewing these regularly.

How a Range of Internal and External Interested Parties may Influence the Content of an Environmental Policy.

The Environmental Policy is an important document because it acts as the driver for the organization. It provides the direction and formally establishes goals and commitment. Top management should ensure that the policy is appropriate, compatible with the strategic direction and not a bland statement that could apply to any business. It should provide clear direction to allow meaningful objectives to be set that align with it. The new standard focuses on commitment to "protection of the environment" rather than solely addressing "prevention of pollution" in the 2004-edition. This indicates a broader environmental view and more in line with current and future environmental challenges. Commitments to protect the environment can, in addition to prevention of pollution, also include climate change mitigation and adaptation, sustainable resource use and protection of biodiversity and ecosystems. The policy needs to be communicated to all employees and they need to understand the part they have in its deployment. The policy must be documented and available externally.

Development of the policy requires top management to make critical decisions on what the organisation aims to achieve in environmental management, such as reducing the use of natural resources, increasing the use of renewable energy, or initially just measuring its contribution to the emission of greenhouse gases. The policy is intended to guide the organisation to focus its effort and resources.
The standard requires the policy to be suitable for the nature, scale and environmental impacts of the organisation's activities, products and services. It is therefore helpful if the policy outlines what the organisation does and produces, and where it operates.

The standard also requires the policy to make three commitments:

a) Compliance with all applicable legal requirements, and with other requirements to which the organisation subscribes relating to its environmental aspects.
b) Prevention of pollution.
c) Continual improvement.

Requires the organization to determine the need and expectations of "interested parties", both internal and external. Previous versions of the draft standard also contained the term "stakeholder", which many organizations will be more familiar with – the terms are synonymous and there is no need to consider them to be any different.

Interested parties could include;

- Employees
- Contractors
- Clients/Customers
- Suppliers
- Regulators
- Shareholders
- Neighbours
- Non-Governmental Organizations (NGOs)
- Parent organizations

What is clear is that whilst the consideration of context and interested parties needs to be relevant to the scope and the standard, the assessment needs to be appropriate and proportionate.

- Employee meetings, consultations and feedback activities - this should be happening already, but maybe this will prompt more efforts to improve an area which has been at risk of "lip service" to ISO 14001:2004
- Supplier reviews and relationship management- many organizations are trying to get much more mutual benefit from the supplier-client relationships which are critical to mutual success.
- Client/customer reviews and relationship management - of course this is a fundamental pillar of all standards and a key to success. It may be that when you reflect on how you capture key issues, and how many interested parties you engage with already, you may be pleasantly surprised.

It may be that you only engage with a limited number of internal and external parties, but now is the time to start thinking about whether that is enough, and whether you are missing some good opportunities. There will be many ways in which to capture this – and hopefully some improved and new approaches might emerge as this part of the standard is considered. Approaches could include;

- Summary information from the range of existing approaches used as listed above (e.g. a brief report), an Information summarized as part of inputs to risk and opportunity registers (e.g. for ISO 14001 this could be an additional process in the identification of environmental aspects and impacts),
- Recorded in a simple spreadsheet,
- Logged and maintained in a database,
- Captured and recorded through key meetings.

These clauses are asking organizations to think clearly and logically about what can internally and externally affect their management systems, and to be in a position to show that this information is being monitored and reviewed. It also requires organizations to elevate the discussions to the highest levels, since capturing the above range of information is hard to achieve without a high level approach.

Key Requirements of an Environmental Policy:-

European environment policy rests on the principles of precaution, prevention and rectifying pollution at source, and on the 'polluter pays' principle. Multiannual environmental action programmers set the framework for future action in all areas of environment policy. They are embedded in horizontal strategies and taken into account in international environmental negotiations. Last but not least, implementation is crucial.

There is no standard format for writing an environmental policy, but to give it the best chance of success, it's important you plan it carefully. For your policy to be successful you need to get **buy-in from management**, by emphasizing the key benefits such as cost reduction, improved risk management and marketing.

Once you have secured this commitment, it's a good idea to assess where your business currently stands in terms of environmental management. This could include drawing up an environmental history of your business, its impact and the risks faced by it.

You could also carry out a **benchmarking exercise** to establish how you compare against similar businesses. It's important to tailor your environmental policy to reflect your business and its culture. A good starting point is to collect and review examples of policies written by other businesses and select the format and style most appropriate to your own business. However, avoid copying someone else's policy.

There are a few basic rules to follow:

- keep the statement short - if it's longer than a sheet of 8 ½ X 11, then it's probably too long
- the statement is meant for everyone to see, so make sure it's easy to read and understand
- the statement must be realistic, achievable and relevant to your company's activities and practices
- demonstrate commitment to making the policy work and get the statement signed, dated and endorsed by the owner, managing director or other senior manager.

Framework of Environmental Policy

The **Policy Environment** provides the background needed to consider policy development in a particular area. Without an understanding of the environment, a policy is likely to fail. **Context** is important.

Be mindful of the political, economic, social and technological factors that could influence policy, e.g. trade negotiations, competitiveness and productivity, and demographics. Context informs the **Drivers,** which identify the factors motivating policy on an issue, e.g. multilateral negotiations, domestic pressures for action, stakeholder interests and public opinion.

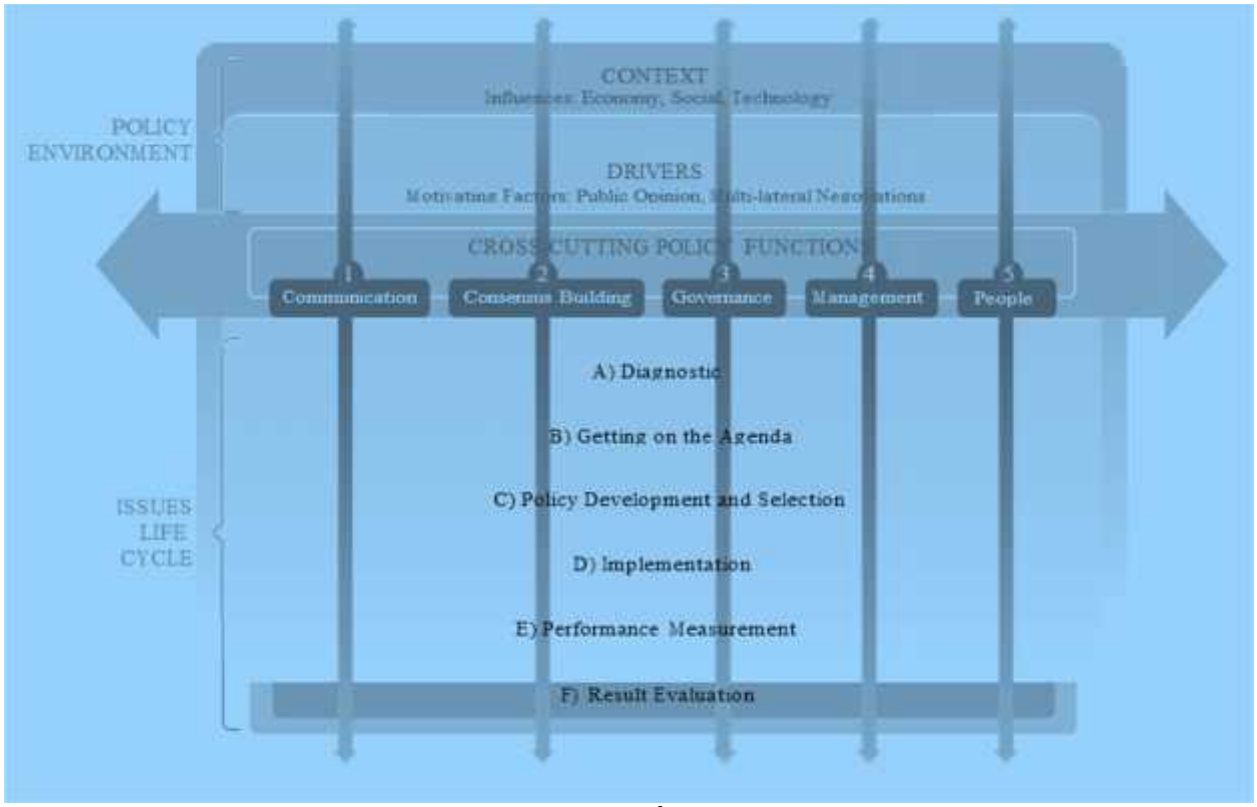

Fig. 4.1

Cross-Cutting Policy Functions are the key structures and activities that support all stages of the policy development process.*)*

a) **Communication:**

Inform all parties of the issue, evidence, goals and status of activity. Get information to decision-makers when they need it and in the form they need it.

b) **Consensus Building:**

Get key stakeholders to agree on objectives, process and evaluation. Consensus is a powerful tool that can help ensure buy-in later on.

c) **Governance:**

Establish the organization and authority between governments, business and civil society organizations to achieve the agreed-upon results.

d) **Management:**

Organize work, set priorities, obtain and allocate resources, and account for performance. Adaptive management is key given the pioneering nature of environmental issues.

e) **People:**

Ensure people are skilled in core technical capacities, integrated thinking, adaptive management and strategic planning. They must pay attention to a wide range of details, work well under pressure and have a high tolerance for ambiguity.

Basic Steps to Develop Environmental Policy

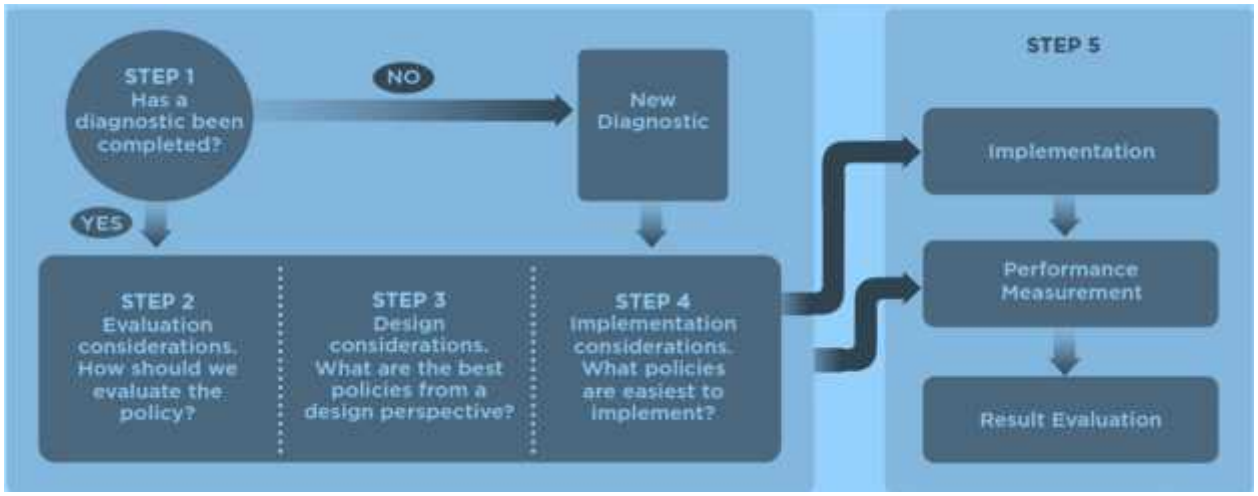

Fig. 4.2

Step1: Has a sufficient diagnostic been completed?

If a diagnostic has not been done or is out dated, conduct a new one. Keep in mind the cross-cutting policy functions: Are the right ***people*** available to perform the diagnosis? Are there key parties to whom you need to ***communicate*** activities and out comes? Is it necessary to ***build consensus*** around the process? And, what kinds of governance mechanisms and ***management*** practices are necessary to facilitate all of the above?

Key Success Factors for Policy-Makers:

- Consider whether the issue is an end and/or a means to an end. For instance, low-carbon technology can be a tool for greenhouse gas (GHG) mitigation and/or a strategy for improving economic competitiveness. Different roles mean different drivers.
- Understand the degree of any uncertainty around the issue. With environmental issues, there may be substantial uncertainty in either natural systems or the behavior of market actors(e.g. businesses or citizens)
- Understand timelines of upcoming policy development and contribute early to the process
- Invest in relationships to stay abreast of upcoming policy discussions
- Share expertise or research to lead to a robust understanding of the issues
- Identify critical questions or concerns on behalf of your organization/industry
- Conduct issue-based stakeholder dialogues and invite policy developers or share findings
- Conduct independent research where information gaps exist

Step2: How Should we Evaluate the Policy?

Performance measures are critical for assessing the effectiveness of the policy. For instance, policies might be evaluated based on their effects on competitiveness or productivity, or whether they

effectively address the problem at hand (e.g. a target for GHGe mission's reductions). Measures should flow directly from the diagnosis. Because of their ultimate importance,

Key Success Factors for Policy-Makers:

- Tailor the goal-setting process to the circumstances. For instance, voluntary agreements can result in "business as usual" standards when firms have a better understanding of incumbent technology than policy-makers. Measuring policy outcomes against goals is pointless if the goals set aren't appropriate.
- Take a long-term vision. The nature of current environmental challenges demands continued and sustained attention by all parties, with a long-term view in mind. Ensure your measures are appropriate given the time horizon of the problem.

How Business can Contribute:

- Provide input on performance measures early in the process
- Identify unintended consequences of proposed measures
- Work with industry peers or associations to provide constructive feedback on proposed measures

Step3: How is the Policy Best Designed

Coherence among different policies and programs is a key consideration. In Canada, for example, federal, provincial, territorial and Aboriginal governments share constitutional authority. A single human activity can be subject to concurrent legislation and intervention by multiple parties.

Be sure to ask: Are there other programs and/or policies in place that inter act with the issue under consideration? If so, can they be altered easily to incorporate the issue? If they can be altered easily, aim to optimize the inter play to enhance horizontal coherence. If not, find ways to minimize the negative interactions.

Key Success Factors for Policy-Makers:

- **Fit policy within its context.** For example, a policy seeking to support technology development will be designed differently depending on the maturity of the technology and the market in which it will be used.
- **Understand the target audience.** One size does not fit all. The choice of specific instruments depends on the nature of the issue and the parties involved. Information should be tailored to the level of understanding of the audience.
- **Consider a policy bundle**. Combinations of legislation-based (regulation, expenditure and information provision) and hybrid policy initiatives can provide the most effective and efficient conditions for progress.
- **Consider the importance of monitoring and enforcement**. Policies that incorporate mandatory reporting requirements perform best. But monitoring can run counter to efficiency. Exploring

novel solutions, like two-tiered agreements, can result in cost savings and higher effectiveness later.

How business can contribute:

- Identify possible impacts, conflicts or redundancies that will result from the proposed policy
- Identify potential trade-offs or alternative solutions that will maximize policy impact and minimize costs
- Highlight the incremental costs of compliance and reporting under different options so policy-makers understand the trade-offs

Step4: Which policy is Easiest to Implement

The best designed policy can fare poorly if decision-makers don't consider implementation. Ask questions about administrative burden, support from critical stakeholders and use of funds. Affordability is also critical when translating policy design into action.

Key Success Factors for Policy-Makers:

- Know your target and how it sat tributes affect implementation. For instance, the degree of concentration of an industry can affect coordination or incentives to free-ride.
- Leverage any existing history of communication between government and industry to facilitate implementation. Open communication and information transfer between parties provides an essential foundation throughout the lifecycle of a problem.
- Use appropriate incentives, such as marketing or reputation benefits in the case of voluntary programs, to improve program effectiveness.
- Time your initiatives wisely. Targeting actors when you have their attention– such as launching an informational program when companies are switching technologies–can be a useful strategy. Providing long-term commitments (e.g. agreed-uponfeed-inratesfor20 years) helps firms justify investments.

How Business can contribute:

- Identify implementation barriers and suggest alternatives early in the process
- Identify how policy implementation timelines can be most easily integrated into business plans and cycles

Step5: Selection, Implementation, Performance Measurement and Evaluation

After considering these questions, you must ultimately select a policy or bundle of policies. Your decision should consider the outputs of the preceding steps. Having consensus on the appropriateness of the criteria will help ensure smoother implementation.

Key Success Factors for Policy-Makers:

Plan for ongoing measurement to improve policy implementation over time. You may find initial forecasts were optimistic or that target actors aren't responding as predicted. It's critical to have this information soon after implementation and collect it on a regular basis–particularly given the evolving nature of environmental policy issues.

- Provide evidence on the impact of the new policy and its implementation. There may be opportunities to improve the impact, delivery or evaluation of programs over time.
- Continue the open dialogue with government and industry peers on ways to improve the policy.

- Tailor the goal-setting process to the circumstances. For instance, voluntary agreements can result in "business as usual" standards when firms have a better understanding of incumbent technology than policy-makers. Measuring policy outcomes against goals is pointless if the goals set aren't appropriate.
- Take a long-term vision. The nature of current environmental challenges demands continued and sustained attention by all parties, with a long-term view in mind. Ensure your measures are appropriate given the time horizon of the problem.

  - Monitoring, measurement, analysis and evaluation of environmental performance and the effectiveness of the system;
  - Evaluation of compliance with all legal and other obligations.

For the monitoring and measurement determined as required, the organization also needs to determine key criteria and requirements, including:

- Methods for monitoring, measurement, analysis and evaluation;
- Key performance indicators and performance evaluation metrics
- When, where, how and by whom the monitoring, measurement, evaluation and analysis is carried out
- Specification, management and maintenance of key monitoring equipment and data handling processes.

The evaluation can be conducted in a compliance audit. In the audit, questions can be asked such as:

- Have the sampling frequency and sites complied with requirements?
- Have the results of monitoring and measurement been reported accurately and on time to the appropriate authority?
- Do the results of monitoring and measurement fall in the allowable ranges?
- Has appropriate action been taken when results have fallen outside the allowable ranges?

The evaluation of compliance is critically dependent on knowing the legal and other requirements and how they apply to environmental impacts in some detail. This is why the Register of Legal and Other

Requirements is important. In the EMS Tool, this register is used to facilitate the evaluation of compliance.

Policy	Examples	Pros and Conditions for Success
Emission Trading Schemes	E.U. Emission Trading Scheme Regional Greenhouse Gas Initiative	• Allowance auctions • Sufficiently tight cap to create a price for emissions • Coverage to ensure liquid market and prevent market power, while avoiding administrative costs of monitoring multitude of small emitters • Design features to smooth market over time and manage risk (e.g. emission banking, specific time lengths for future trading) • Quantity and monitoring of offsets to ensure innovations in unregulated parties and domestic emission reductions
Taxes or Levies	E.U. Emission Trading Scheme Regional	• Uniform tax burden • Tax revenue used to offset negative effects on competitiveness, income distribution • Tax adjustments over time to compensate for inflation, innovations or new emission sources • Energy mix where fuel switching cheap way to avoid tax burden
Voluntary Agreements	Canadian Voluntary Challenge and Registry	• Concentrated and organized industrial sector • Tradition of communication between sector and government • Non-economic mitigation barriers dominate (e.g. limited info about abatement options) • Positive and negative incentives for participation (e.g. market rewards, social licence or threat of future government regulation) • Credible but low-cost monitoring: detailed, quantified schedules and planned targets
Labelling Schemes	Energy Star Australian Greenhouse Friendly Labelling Program	• Government support and credibility (e.g. effective communication about label) • Bundling with financial incentives • Label-clarity (e.g. seal of approval or a letter-grade system) • Targeted product category that has low-cost room for improvement

WATER MANAGEMENT POLICIES

Policy	Examples	Pros and Conditions for Success
Soft Adaptation Techniques (use natural systems rather than built infrastructure to manage water flows)	Flood plain restoration on lower stretches of the River Danube	• Successful programs incorporate planning for long-term climate change impacts
Water Cap and Trade (caps on total water removals, provisions for trading among users)	Australia's Water Management Act (2000)	• In some regions (e.g. Queensland region) water sharing programs have provided adequate environmental water
Subsidies	Spanish subsidies for irrigation modernization (i.e. investment in more efficient irrigation infrastructure)	• No documented "pros"
Integrated and/or Adaptive Planning Schemes	Santa Clara Valley District's Integrated Water Resource Planning Climate information for South African Farmers (regional climate outlook forums) Dutch river flood protection	• Engagement with public stakeholders • Timing the integration of climate change adaptation with planned overhauls of existing approaches / policies (e.g. South Africa's attempt to address historical water injustices) • Uses quality, reliable information (e.g. integration of high-quality climate forecasts improve adaptive planning) • Integration of users, scientists and forecasters can result in raised awareness and provided an impetus for adaptation activities

Policy	Examples	Pros and Conditions for Success
Marketing or Advertising Campaigns	One Tonne Challenge Canadian Energy Efficiency Awards	• Targeted, avoid a moralizing tone, stress private benefits a program or action provides (such as reduce energy costs) and account for the level of environmental awareness in society • Integration of messaging across related programs at various levels of government • Bundling with financial incentives
Subsidies	Dutch Energy Premium Regulation	• Facility specific, tailored promotion of programs • Consultation with industry to ensure promoted technology feasible to use • Target technologies at an appropriate stage of market maturity • Time subsidies to fit with the life cycle of existing technology
Feed-in Tariffs	German Renewable Energy Sources Act (EEG)	• Tariffs providing long-term guarantees to sustain investor confidence • Decreasing tariff rates over time to avoid rapid installation of current technologies while still creating incentives for economic efficiency • Soft loans for technologies at an early stage of development
Renewable Portfolio Standards	State-level RPSs in 30 U.S. states U.K. Renewable Obligation Swedish Compulsory Green Electricity Quota Australian Mandatory Renewable Energy Target (MRET)	• Regulatory commitments consider pay-back and lead to long-term purchase obligations • Standards equally applied to all load-serving entities • Credible enforcement, backed by penalties • Regulated flexibility mechanisms (e.g. tradable certificates to be banked or borrowed) to create transparent and liquid market and manage out-of-region certificates • Bundling with favourable siting processes, production tax credits or requirement that electricity suppliers provide customers option to purchase green power • Policies supporting full range of renewable energy (e.g. banding or carving outs) by reducing barriers to entry must consider negative liquidity effects on certificate market • Policy design accounts for structure of electricity market (e.g. demand growth and utility ownership)
Energy Efficiency (Demand Side Management)	Household weatherization programs Refrigerator replacement programs	• Monitoring/verification activities include measures to help obligation holders comply • Incentives, free equipment installation and rebates enhance effectiveness, can contain costs by tying incentive payments to effectiveness of efficiency spending and capping • Clear methods for measuring and verifying calculations • Timely period for recovery of program costs • Single program portal with staff providing all relevant services (e.g. incentives, marketing, technical assistance, training) for range of customer end-use application

Further Reading:

- ✓ ***Understanding Environmental Policy,By Steven Cohen,(2006)***
- ✓ ***Environmental Policy,By William N. Rom,(2011)***