



# UNIT-6

## 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 developing an environmental policy.

## Unit 6

### Environmental Policy

An environmental policy is a written statement, usually signed by senior management, which outlines a business' goals and principles regarding environmental management. This policy is vital for large companies, as well as any organizations looking to prove their commitment to the environment to potential customers or investors.

This unit will cover the benefits of having an environmental policy. It will include useful tips on how to keep policies updated, how to extend the scope of a policy to include both social and ecological responsibilities, and suggestions regarding the formatting and content of a policy.

#### Benefits of Environmental Policy

An environmental policy sets the standard for a business's interactions with the environment by setting goals and outlining basic principles.

Having an environmental policy can provide significant benefits for a business. These include:

- helping the business comply with environmental laws
- informing employees about their environmental responsibilities
- improving cost control
- reducing incidents that result in legal liability
- conserving raw materials and energy
- improving the monitoring of environmental impacts
- improving overall efficiency

Proving a commitment to the environment also helps organizations develop positive relations with possible future stakeholders, which in turn can improve the company's overall image as well as provide financial benefits, including increased investments, sales and shares.

Of course, merely having a policy in place does not necessarily guarantee that a company will experience these benefits. Setting up an externally certified environmental management system (EMS) will help keep the company on track and moving towards meeting goals and acquiring these benefits. It will also further demonstrate to potential stakeholders that the claims in a company's environmental policy are credible, reliable and authorized.

Even if a formal EMS is not set up, companies should at least try to use some of basic steps to ensure the policy is effective. This includes activities such as assessing environmental impact, tracking performance, setting goals, and reviewing goals and progress regularly.

## The Influence of Internal and External Interested Parties

The environmental policy is an important document because it acts as the driver for the organization. It provides direction and formally establishes goals and principles. Top management should also ensure that the policy is compatible with company processes and specific, not just a vague statement that could apply to any business. The new standard for policies focuses on protecting the environment as well as preventing pollution. Protecting the environment, in addition to pollution prevention, often involves working against climate change, striving for sustainable development, and protecting biodiversity and various ecosystems. All employees must be aware of and understand the policy, which must be publicly available, in writing.

Development of the policy requires top management to make important decisions on the environmental goals the organization is aiming to achieve, such as reducing the use of natural resources, increasing the use of renewable energy, or even something as simple as measuring GHG emissions.

The standard requires the policy to be suitable for the nature, scale and environmental impacts of the organization's activities, products and services. It is therefore helpful if the policy outlines what the organization does, what it produces, and where it operates.

Current standards require the policy to make three commitments:

1. Comply with all legal requirements, along with other requirements relating to environmental management.
2. Prevent pollution.
3. Continue to improve environmental aspects of company operations.

Organizations must also determine the need and expectations of "interested parties," both within the company and outside of it. Interested parties may include:

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

While the consideration of context and interested parties should relate to the scope and the standard, the assessment must be appropriate and proportionate. Employee meetings, consultations and feedback activities should already be taking place, but a new environmental policy and set of standards may

prompt more efforts to improve environmental aspects of the company. Mutual benefit between suppliers and clients is also critical to success, as is the consideration of customer reviews and relationship management.

Perhaps you will 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 of capturing this, and some new and improved approaches may emerge as this part of the standard is considered. Approaches could include:

- A brief report summarizing information
- Recording the information in a simple spreadsheet
- Logging the information in a regularly updated database
- Capturing and recording the information during key meetings

Organization managers need to think clearly and logically about what can internally and externally affect their systems and show that this information is being monitored and reviewed. This also raises discussions to a higher standard, since capturing the above range of information is difficult without a high-level approach.

## Key Requirements

Precaution, prevention and the rectifying of pollution at its source by the polluters are the foundations of European environmental policy. Multi-annual environmental action planners set the framework for all areas of environment policy.

There is no standard format for writing an environmental policy, but if it is to have the best chance of success it needs to be carefully planned. A successful policy requires the management to buy into it, which can be achieved by emphasizing benefits such as cost reduction and better risk management and marketing.

Once this commitment is secured, a business should assess where it stands in terms of management. A history of the company's environmental impacts and a list of potential risks will be particularly helpful in this effort. Another handy tool is a benchmarking exercise – a process by which a company is compared against similar businesses.

It is important to tailor the environmental policy to reflect the 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 for the business making the new policy. (The content, however, should be original, not plagiarized directly from other policies.)

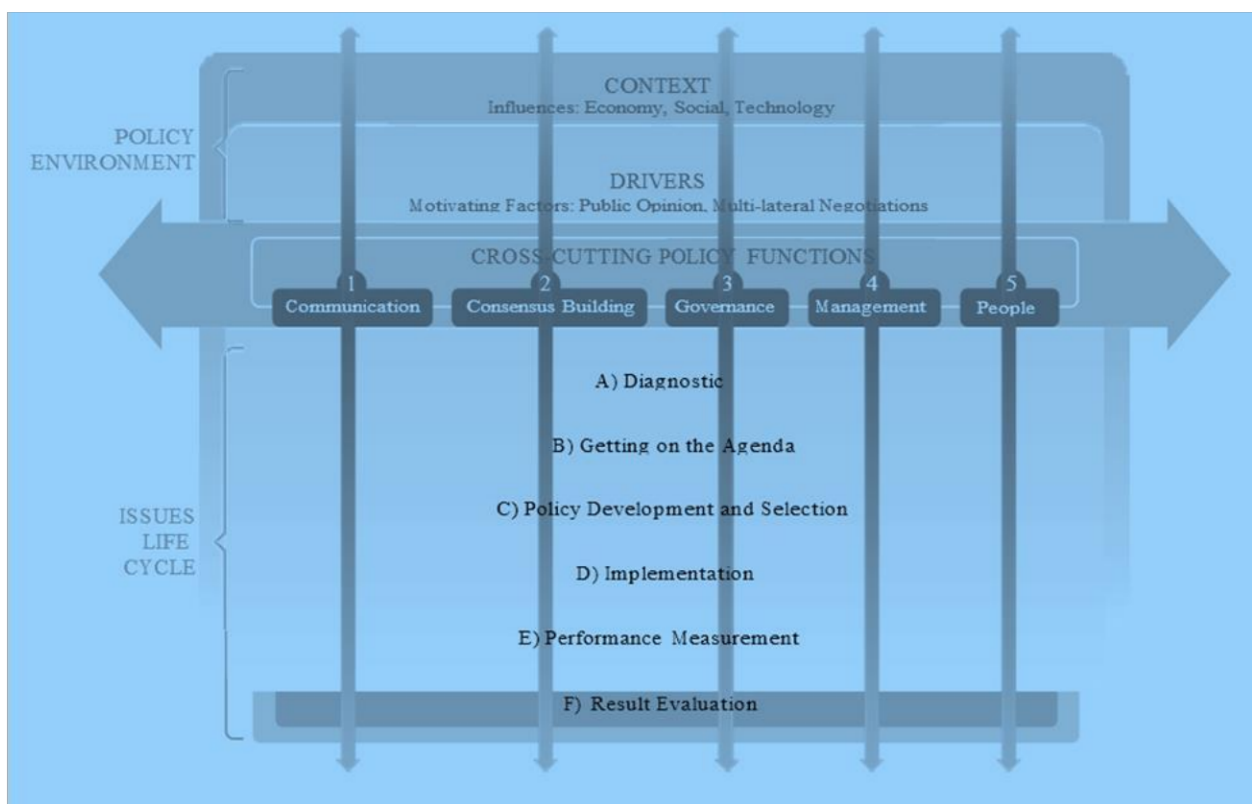
There are a few key rules to follow when making a policy:

- **Keep the statement short.** If it is longer than a sheet of 8 ½ X 11, then it is probably too long.
- **Keep it simple.** Everyone should be able to see and understand it; hence, it should be written as clearly and simply as possible.

- **Keep it realistic.** Goals should be ambitious but attainable.
- **Demonstrate a formal commitment.** The statement should be signed, dated and endorsed by the owner, managing director or another senior manager.

## Environmental Policy Framework

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. Various political, economic, social and technological factors may all influence a policy in terms of matters such as trade negotiations, competition, productivity and demographics. Context allows policy-makers to identify which factors influence which parts of the policy.



**Fig. 6.1: policy environment and context**

**Cross-cutting policy functions** are the key structures and activities that support all stages of the policy development process. These include:

- Communication:** All parties should be informed on environmental issues, goals and related activities.
- Consensus Building:** Key stakeholders must agree on objectives, process and evaluation. This is a powerful tool for securing management buy-in later on.
- Governance:** Organization and authority needs to be established between the business, relevant governments and civil society organizations to achieve goals.
- Management:** Work should be organized, priorities should be set, resources should be allocated,

and performance should be documented. Adaptive management is key.

- e) **People:** Company personnel must be trained and capable in areas such as technical aspects, 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.

## Developing an Environmental Policy

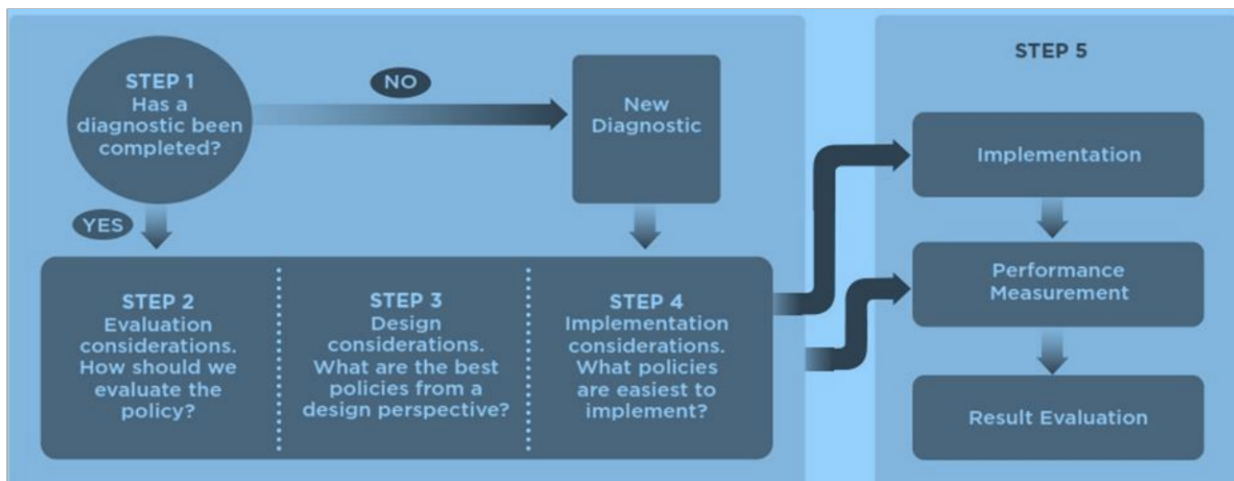


Fig. 6.2: the environmental policy development process

### Step 1: Complete a sufficient diagnostic report.

If a diagnostic has not been carried out or is outdated, you should 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 outcomes? Is it necessary to *build consensus* around the process? What kinds of *management* practices might be necessary?

Key factors for policy-makers to consider during this step include:

- Whether the issue is an end or a means to an end. For instance, low-carbon technology can be a tool for greenhouse gas (GHG) reduction or a strategy for improving economic competitiveness. Different roles mean different motivations.
- The degree of uncertainty around the issue. Many of the data surrounding environmental issues are vague or ill-defined.
- Timelines of forthcoming policy development. It is best to contribute early to the process.
- Investing in relationships and staying up to date on policy discussions.
- Sharing expertise or research in order to increase understanding of the issue.
- Critical questions or concerns.
- Issue-based stakeholder discussions.
- Conducting independent research where information gaps exist.

## Step 2: Decide how to evaluate the policy.

Performance measures are important for determining the effectiveness of a policy. For instance, a policy might be evaluated based on how it has affected productivity, or how well it addresses a given issue. Measures should be drawn directly from the diagnostic.

Key factors for policy-makers during this step include:

- **Tailoring the goal-setting process to fit circumstances.** For instance, voluntary agreements can result in “business as usual” standards when firms have a better understanding of a certain technology than the policy-makers do.
- **Having a long-term vision.** Current environmental issues require sustained attention from all parties and long-term planning. Measures should be appropriate based on the future timeline of an issue.

The business might contribute to this process by providing input on performance measures early on, identifying what unintended consequences may ensue for the proposed measures, and working with industry peers or associations to provide feedback on the proposed measures.

## Step 3: Design the policy well.

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

It is important for policy-makers to ask (and answer) certain questions regarding this step. Are there other programs or policies in place that influence the issue currently being considered? If so, can they be easily altered? If they can be easily altered, they should be optimized to better fit the rest of the policy. If not, measures should be taken to at least minimize their negative effects.

Key success factors for this step include:

- **Fitting the 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.
- **Understanding the target audience.** One size does not fit all. The choice of tools is determined by the nature of the issue as well as the parties involved. Information should be presented in such a way that it can be easily understood by the target audience.
- **Considering a policy bundle.** Combinations of legislative and hybrid policy initiatives can provide the most effective and efficient conditions for progress.
- **Considering the importance of monitoring and enforcement.** Policies that set mandatory reporting requirements tend to perform best. However, monitoring can sometimes reduce efficiency. Creative solutions such as two-tiered agreements are often the key to ensuring cost savings and higher effectiveness in the long run.

The business can contribute to this process by identifying all possible effects of the proposed policy, identifying potential trade-offs or alternative solutions that will maximize effectiveness and minimize cost, and highlighting the various costs of compliance and reporting under different options to increase understanding of the trade-offs.

#### **Step 4: Make sure the policy is easy to put into action.**

Even the best-designed policies may fail if implementation is not considered. Issues such as administrative burden, stakeholder support and financial concerns should all be accounted for.

Key factors to consider during this step include:

- How set targets affect implementation. For instance, the degree of concentration of an industry can affect coordination or incentives to free-ride.
- Communicating with the government and the rest of the industry. Open communication between parties provides a solid foundation for policy effectiveness.
- Using the right incentives, such as marketing or reputation benefits in the case of voluntary programs.
- Timing milestones wisely. Well-timed strategies such as launching an informational program when companies are switching technologies tend to work best. Additionally, providing long-term commitments with clear milestones encourages firms to invest in the company.

The business might contribute to this step by identifying potential barriers to implementation and suggesting ways of working around these barriers, and identifying the best way to incorporate policy milestones into business plans and cycles.

#### **Step 5: Set the policy.**

The decision on which policies to adopt depends on the outcomes of the previous steps. Reaching a consensus on the appropriateness of these criteria will help ensure smoother implementation.

At this stage, policy-makers should:

- **Plan for making improvements over time.** Perhaps the policy is not as effective as originally predicted. It is important to constantly collect data on what can be improved and to take action to make those improvements occur on a regular basis.
- **Provide evidence on the effectiveness of the new policy.** There may be opportunities to improve the impact, delivery or evaluation of programs over time.
- **Continue to communicate openly with government and industry peers** on ways to improve the policy.
- **Continue to tailor the goal-setting process to the circumstances.** (See Step 1.)
- **Have a long-term vision.** (Again, see Step 1.)
- **Monitor progress and evaluate adherence to legal obligations and other requirements.**

The organization also needs to determine key criteria and requirements, including:

- Methods for monitoring, measurement, analysis and evaluation
- Key performance indicators and performance evaluation measurements
- When, where, how and by whom the monitoring, measurement, evaluation and analysis are carried out
- Management and maintenance of important monitoring equipment and data-handling processes

The evaluation can be conducted in a **compliance audit**. A compliance audit asks questions such as the following:

- Are monitoring and measurements carried out as frequently and thoroughly as required?
- Have these results been reported accurately and on time to the appropriate authorities?
- Are the results of monitoring and measurement within acceptable ranges?
- Has appropriate action been taken when results have fallen outside acceptable ranges?



The evaluation of compliance is dependent on knowing all legal and other requirements, as well as how they apply to environmental impacts. This is why the **Register of Legal and Other Requirements** is important. In the EMS tool, this register is very helpful for evaluating compliance.

**Fig. 6.3: benefits and key success factors for various policies**

Policy	Examples	Pros and Conditions for Success
<b>Emission Trading Schemes</b>	E.U. Emission Trading Scheme Regional Greenhouse Gas Initiative	<ul style="list-style-type: none"> <li>• Allowance auctions</li> <li>• Sufficiently tight cap to create a price for emissions</li> <li>• Coverage to ensure liquid market and prevent market power, while avoiding administrative costs of monitoring multitude of small emitters</li> <li>• Design features to smooth market over time and manage risk (e.g. emission banking, specific time lengths for future trading)</li> <li>• Quantity and monitoring of offsets to ensure innovations in unregulated parties and domestic emission reductions</li> </ul>
<b>Taxes or Levies</b>	E.U. Emission Trading Scheme Regional	<ul style="list-style-type: none"> <li>• Uniform tax burden</li> <li>• Tax revenue used to offset negative effects on competitiveness, income distribution</li> <li>• Tax adjustments over time to compensate for inflation, innovations or new emission sources</li> <li>• Energy mix where fuel switching cheap way to avoid tax burden</li> </ul>
<b>Voluntary Agreements</b>	Canadian Voluntary Challenge and Registry	<ul style="list-style-type: none"> <li>• Concentrated and organized industrial sector</li> <li>• Tradition of communication between sector and government</li> <li>• Non-economic mitigation barriers dominate (e.g. limited info about abatement options)</li> <li>• Positive and negative incentives for participation (e.g. market rewards, social licence or threat of future government regulation)</li> <li>• Credible but low-cost monitoring; detailed, quantified schedules and planned targets</li> </ul>
<b>Labelling Schemes</b>	Energy Star Australian Greenhouse Friendly Labelling Program	<ul style="list-style-type: none"> <li>• Government support and credibility (e.g. effective communication about label)</li> <li>• Bundling with financial incentives</li> <li>• Label-clarity (e.g. seal of approval or a letter-grade system)</li> <li>• Targeted product category that has low-cost room for improvement</li> </ul>

WATER MANAGEMENT POLICIES

Policy	Examples	Pros and Conditions for Success
<b>Soft Adaptation Techniques</b> (use natural systems rather than built infrastructure to manage water flows)	Flood plain restoration on lower stretches of the River Danube	<ul style="list-style-type: none"> <li>Successful programs incorporate planning for long-term climate change impacts</li> </ul>
<b>Water Cap and Trade</b> (caps on total water removals, provisions for trading among users)	Australia's Water Management Act (2000)	<ul style="list-style-type: none"> <li>In some regions (e.g. Queensland region) water sharing programs have provided adequate environmental water</li> </ul>
<b>Subsidies</b>	Spanish subsidies for irrigation modernization (i.e. investment in more efficient irrigation infrastructure)	<ul style="list-style-type: none"> <li>No documented "pros"</li> </ul>
<b>Integrated and/or Adaptive Planning Schemes</b>	<p>Santa Clara Valley District's Integrated Water Resource Planning</p> <p>Climate information for South African Farmers (regional climate outlook forums)</p> <p>Dutch river flood protection</p>	<ul style="list-style-type: none"> <li>Engagement with public stakeholders</li> <li>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)</li> <li>Uses quality, reliable information (e.g. integration of high-quality climate forecasts improve adaptive planning)</li> <li>Integration of users, scientists and forecasters can result in raised awareness and provided an impetus for adaptation activities</li> </ul>

Policy	Examples	Pros and Conditions for Success
<b>Marketing or Advertising Campaigns</b> 	<p>One Tonne Challenge</p> <p>Canadian Energy Efficiency Awards</p>	<ul style="list-style-type: none"> <li>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</li> <li>Integration of messaging across related programs at various levels of government</li> <li>Bundling with financial incentives</li> </ul>
<b>Subsidies</b>	Dutch Energy Premium Regulation	<ul style="list-style-type: none"> <li>Facility specific, tailored promotion of programs</li> <li>Consultation with industry to ensure promoted technology feasible to use</li> <li>Target technologies at an appropriate stage of market maturity</li> <li>Time subsidies to fit with the life cycle of existing technology</li> </ul>
<b>Feed-in Tariffs</b>	German Renewable Energy Sources Act (EEG)	<ul style="list-style-type: none"> <li>Tariffs providing long-term guarantees to sustain investor confidence</li> <li>Decreasing tariff rates over time to avoid rapid installation of current technologies while still creating incentives for economic efficiency</li> <li>Soft loans for technologies at an early stage of development</li> </ul>
<b>Renewable Portfolio Standards</b>	<p>State-level RPSs in 30 U.S. states</p> <p>U.K. Renewable Obligation</p> <p>Swedish Compulsory Green Electricity Quota</p> <p>Australian Mandatory Renewable Energy Target (MRET)</p>	<ul style="list-style-type: none"> <li>Regulatory commitments consider pay-back and lead to long-term purchase obligations</li> <li>Standards equally applied to all load-serving entities</li> <li>Credible enforcement, backed by penalties</li> <li>Regulated flexibility mechanisms (e.g. tradable certificates to be banked or borrowed) to create transparent and liquid market and manage out-of-region certificates</li> <li>Bundling with favourable siting processes, production tax credits or requirement that electricity suppliers provide customers option to purchase green power</li> <li>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</li> <li>Policy design accounts for structure of electricity market (e.g. demand growth and utility ownership)</li> </ul>
<b>Energy Efficiency (Demand Side Management)</b> 	<p>Household weatherization programs</p> <p>Refrigerator replacement programs</p>	<ul style="list-style-type: none"> <li>Monitoring/verification activities include measures to help obligation holders comply</li> <li>Incentives, free equipment installation and rebates enhance effectiveness; can contain costs by tying incentive payments to effectiveness of efficiency spending and capping</li> <li>Clear methods for measuring and verifying calculations</li> <li>Timely period for recovery of program costs</li> <li>Single program portal with staff providing all relevant services (e.g. incentives, marketing, technical assistance, training) for range of customer end-use application</li> </ul>

### Further Reading:

- ✓ *How to avoid a Climate Disaster, (2021), By Bill Gates*
- ✓ *The New Climate War, (2021), By Michael E. Mann*