

**Running a Green Business:  
A Balance of Environmental and Economic Priorities**

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*Check against delivery*

## **Running a Green Business: A Balance of Environmental and Economic Priorities**

As Chairman of the Canadian Petroleum Association, I'm all too familiar with the challenges Steve Bellringer faces leading an industry association like the CGA in the nineteen-nineties.

And yet, in some ways, leading the CPA seems almost straightforward when compared with Steve's task. The CPA's efforts are focused on the upstream end of the petroleum business: finding oil and gas and producing it.

The Canadian Gas Association, in contrast, is not nearly so single-minded. The CGA represents the interests of natural gas production, transmission, distribution, and manufacturing companies. It must take determination and patience to develop a consensus among such a broad cross-section of the industry. At the same time, the diversity of your membership gives the CGA a special influence. Because when you do reach a consensus, you can speak for the whole industry, not just one segment.

And I see that diversity in the line-up of speakers this morning... a leading Canadian manufacturer, a major American utility, and an interest group spokesperson advocating the benefits of conservation and renewable energy.

Over the next day-and-a-half, you'll hear from industry, government, environmental and consumer advocates, and educators. By tomorrow afternoon, I'll wager, you'll have heard as many viewpoints as there are speakers.

This morning, my challenge is to give this conference a 'kick-start'. I hope my remarks will help energize you, and provide some focus for what must be one of the toughest and most important issues of the nineties.

### ***The Prospects for Natural Gas***

But before I do, I can't pass up this opportunity to talk for a moment about natural gas marketing.... even though I'm far from an expert on the subject. Some of you already know the Esso expert: our vice-president of Natural Gas Marketing, Jim Park, who served as CGA's Chairman last year.



I know Jim would agree with me when I say that the marketing future for natural gas is tremendously promising.

Without a doubt, the years following deregulation gave a whole new meaning to the words, 'growing pains'. When the supply of any commodity is long, producers' netbacks are usually in the ditch, and that's currently the case for Canadian natural gas. And our outlook tells us that prices in Canada will be soft for quite a while yet. The good news is that we expect some significant and early price strengthening in the U.S. market.

The excellent market potential for our product will inevitably -- and I hope sooner rather than later -- bring back reasonable prices in Canada, too, and we anticipate that all sectors of the industry will be enjoying profitable growth by the mid-1990s.

That's my very short gaze into the natural gas crystal ball. Let me move on to address "The Environmental Challenge".

### ***The Environmental Challenge***

To me, there are two challenges facing all segments of the Canadian petroleum industry:

Our first challenge is to claim a seat at the policy development table as governments take steps to legislate a greener future. And when I say 'governments', I mean all levels of decision-makers, from the United Nations to community associations.

And our second challenge is to prove we can run greener businesses by building environmental considerations into every aspect of our industry.

#### **Challenge #1: Claim a Seat at the Policy Development Table**

If we want to be effective and credible participants in the development of environmental policy, we must first gain an understanding of the explosion of environmental legislation, from international accords to city by-laws. Let me paint a quick picture of today's landscape of environmental legislation.

#### ***International Environmental Accords***

At the international level, protocols now restrict emissions of CFC's, sulfur dioxide and nitrogen oxides. Discussions are underway that could lead to emission reductions for volatile organic compounds and carbon dioxide.



Canada has played an active role in many of these protocols -- going back to the Stockholm convention on 'Limits to Growth', the Brundtland Commission on Sustainable Development and the Montreal Protocol on CFC's.

### ***Federal Environmental Initiatives***

On the federal playing field, three policy initiatives demonstrate the Mulroney government's determination to address Canadians' demands for action.

The Canadian Environmental Protection Act -- one of the world's toughest pieces of environmental legislation -- was passed in 1987.

Another piece of legislation -- with an almost-identical name -- was introduced in the House of Commons in June, and has gone to a special committee for review. It's called The Canadian Environmental Assessment Act. Once in place, this legislation will ensure that all projects involving the federal government -- or areas of federal jurisdiction -- will have to pass a thorough environmental impact assessment.

Depending on how this legislation is interpreted and implemented, these guidelines could be applied to any industrial project of significance. This could add years to industrial planning schedules and hundreds of thousands of dollars to development costs.

The third piece of federal policy -- and the one that's causing the most speculation -- is Environment Canada's 'Green Plan'.

The final document should be published by year-end. The plan is expected to contain over 100 recommendations for improving and enhancing Canada's environment. And Environment Minister Bob deCotret has already hinted that the Green Plan is going to cost Canadian industry and consumers real greenbacks: he's talking about spending commitments worth billions of dollars!

### ***Provincial Environmental Initiatives***

Provincial environment departments are, in general, no less aggressive in their policy initiatives. Some provinces are worried that their jurisdiction over natural resources may be threatened by the federal initiatives we just reviewed.

Here in Alberta, for example, the government has tabled a draft version of the Alberta Environmental Protection and Enhancement Act. This act consolidates and updates a number of existing environmental laws into one framework piece of legislation. It's partly intended to keep Alberta Environment one step ahead of the feds, with comprehensive legislation, strict emission standards, and tough enforcement procedures.



Another environmental development in Alberta is the plan to create a *Natural Resources Conservation Board*, modeled after the existing Energy Resources Conservation Board. And Environment Minister Ralph Klein is busy putting together what's called "A Clean Air Strategy for Alberta".

I'd like to note that the process being used to create the 'Clean Air Strategy' has been a real breakthrough -- at least from my perspective. In approaching the province's goal of reducing air-borne emissions, Minister Klein has redefined the way his department relates with the people and organizations they govern. The research and study team tackling this issue includes all stakeholders: regulators, industry, citizens, communities and interest groups.

I'm proud to represent my employer and my industry in another provincial environmental initiative, the Alberta Round Table on Environment and the Economy. Other provinces have their round tables, too. I hope this style of collaborative forum becomes the norm as we tackle the environmental challenges facing us all.

As Minister Klein can tell you, it's a short trip from the legislature to city halls and municipal councils across Canada. Here, recycling, water quality and energy conservation have become Main Street issues.

Politicians at all levels are being pressured to produce tangible evidence of progress towards a greener future. As the Honourable Jake Epp said in a talk to my association in January: "If this government does not move forward with its environmental action plan, a new government will develop one of its own. Of that there is no doubt."

And it's not just politicians that are feeling the heat. We've got reason to look in the mirror and see how green a reflection we're casting. One thing we might see would be a survey where 52 per cent of Canadians said they think the oil and gas industry does a poor job of protecting the environment.

That's why it's so urgent for us to understand the green agenda that's driving the public sector. And once we have a sense of that agenda, we have to add our voices to the debate.

### ***Associations an Ideal Vehicle for Contributing to Policy Development***

How? Industry associations like the CGA are an ideal vehicle for contributing to the discussion. Your information campaign, with the theme, "Natural Gas: The Natural Choice", is a positive step. You're educating governments, customers and consumers about the environmental impacts of gas production and consumption.



I might raise a few eyebrows here with my next statement, but I *do* find one aspect of your 'Natural Choice' campaign a little short-sighted. That's the way you're positioning natural gas as a 'clean' form of energy and other hydrocarbons as, well, a little grubby.

I'm concerned about the spectre of one segment of our industry sniping at another. My viewpoint would be that Canadians in every province and territory need to examine the full spectrum of energy options and make rational choices, not emotional ones.

I will concede that any success you achieve in demonstrating the environmental advantages of natural gas will almost certainly benefit every segment of the petroleum industry, and the environment we all share.

So let's say we've responded to our first challenge: through the good work of our employers and associations, we've earned a seat at the policy development table. What should we be saying when we get there?

***Government Should be Responsible for Establishing Environmental Goals; Industry Should Have Flexibility in Means to Achieve Goals***

I believe we should be advocating a policy development process where government is responsible for setting environmental goals and industry is responsible for developing the means to achieve them.

Let me give you an example of how such an approach might work. Earlier, I referred to the Alberta Clean Air Strategy. Under this program, government, industry and environmental experts are using a two-phase approach.

First, the task force will define what we know and what we don't know about energy-related emissions. Then, having clearly defined the technological, quality of life and cost implications, Alberta will be in a good position to achieve its second goal, which is to manage these emissions. The ball will then be in industry's court to develop strategy options and solutions.

I welcome this kind of consultative process. It gives us the opportunity to build our future, rather than reacting to it when it shows up on our doorstep. It helps government, industry and the public understand the challenges, estimate the costs, and define the expected benefits. This kind of a process gives all stakeholders a say in how we prioritize the many environmental issues we face.

It's my belief that this approach will unleash the full power of innovation, imagination and economic drives of the marketplace. This will lead to solutions that will be more efficient and effective than the current 'command and control' approach.



One example of marketplace creativity is the increasing practice of trading emission rights in the United States. Air quality goals are met, but at a lower net cost to industry and consumers than an across-the-board emission-reduction program.

But all our innovations and good intentions won't be worth the recycled paper they're printed on if our individual companies don't change the way they do business on a day-to-day basis.

### **Challenge #2: Build Environmental Considerations Into Every Aspect of our Business**

I'm certain all of the companies represented at this conference are now conducting their business in ways that are more environmentally responsible. If you'll allow me, I'll illustrate some of the things our industry is doing differently by drawing some examples from the two organizations I know best: the CPA and Imperial Oil.

#### ***CPA Environmental Leadership***

The CPA has spearheaded environmental protection efforts in the upstream petroleum industry in three ways. First, we've supported research programs, like the Task Force on Oil Spill Preparedness. Since 1970, CPA members have contributed \$300 million toward environmental research.

Second, we've led all industries in Canada with our environmental codes of practice and guidelines. And finally, we're always looking for opportunities to participate in government/industry environmental efforts, such as the *National Task Force on Environment and Economy*.

#### ***Imperial Oil Initiatives***

At Imperial Oil, we've built environmental accountability into the highest management levels of the corporation. Imperial is one of many Canadian businesses that has appointed a vice president responsible for environmental issues. Ours is Jim McFarland. Some of you may know Jim from his many years with Esso here in Calgary.

Jim works with a special committee of the board of directors to oversee our environmental protection practices. This top-management commitment is backed up by our cross-Canada network of 166 environmental specialists.

Over the last five years, we've spent almost a quarter of a billion dollars on environmental protection and facility upgrades. This year, another \$85 million in capital expenditures is directed at protecting the environment.



Dollars like these have allowed us to overhaul our spill prevention and response capabilities, and to complete a thorough inventory of our environmental practices at all our plants and facilities.

Across Imperial, we're introducing a comprehensive program we call 'Operations Excellence'. It's a program we believe will help us simultaneously achieve two elusive goals: superior health, safety and environmental performance, and improved profitability.

These are just some of the efforts of but one company. The size and profile of Imperial Oil requires that we take a pro-active approach to environmental issues. However, I believe it's safe to say that Canadians have the same expectations of everyone in our industry, from the smallest gas appliance manufacturer to the integrated petroleum giants.

Whether you perceive your company or association as more or less green than the competition is pretty much beside the point. The point is, no matter what we've done in the past, governments and society expect all of us to change our stripes.

Clearly, any responsible business person in Canada realizes that our planet cannot survive another two centuries of development that in any way resembles the last 200 years.

### ***Protecting the Environment Must Become Second Nature to Industry***

At a European conference on sustainable development earlier this year, Bjorn Stigson -- the head of AB Flakt, the Swedish engineering firm -- gave a telling example:

"We treat nature like we did workers a hundred years ago," he says. "We included then no cost for the health and social security of workers in our calculations, and today we include no cost for the health and security of nature."

It's time to include these costs in our calculations, and they can be staggering. Cleaning up the Valdez spill will cost some \$3 billion U.S. And that money isn't coming from government coffers: it's coming right off Exxon's pre-tax earnings.

The Wall Street Journal says it will cost the Soviet Union some 280 billion rubles to clean up the Chernobyl nuclear disaster. Even with the recent 70 percent devaluation of the ruble, that translates into a little less than 200 billion Canadian dollars. In other words, responding to that single disaster will cost more than the Gross National Product of all but a few of the world's industrial nations.



Thankfully, these tragic incidents are the exception. And while it's no consolation, it's also true that industry isn't the sole environmental culprit. The cumulative impact of our modern lifestyles has the potential to pose ecological threats that are just as serious.

### ***There's a Gap Between the World Canadians Want and What They're Willing to Pay for It***

The sources of environmental degradation are widespread; that's why the solutions must be sought in every sector of society. And let's face it: in this country today, there's a gap between the world Canadians want to live in and what they're willing to pay for it.

Consumers want low-cost energy and petroleum products. Communities are less willing to accept any environmental risk: the 'Not In My Back Yard' syndrome. Shareholders and other investors quite rightly expect that our companies should make a fair profit, so that dividends and increased share values are possible.

And outside our comfortable corner of the planet, the developing world wants the quality of life we take for granted -- and they're not fussy how they get there.

With all these conflicting demands, environmental expectations seem sure to crash headlong into economic realities. From where I stand, trade-offs are inevitable.

### ***Tradeoffs are Inevitable; Must Balance Environmental Conservation with Economic Development***

Yet I'm an optimist at heart. I'm an optimist because I know that public expectations and the operating standards which govern the energy industry have been rising steadily for years. And I also know that we've proven we can meet those expectations by balancing environmental quality with our industry's basic economics. Because it truly is a balancing act.

Dr. Donald Chant, President of the Ontario Waste Management Corporation, says, "Environmental conservation and economic development not only can co-exist, they must co-exist, for one is a condition of the other." And former federal Environment Minister Tom McMillan says, "It is not possible to have a sound economy without a healthy environment."

The history of this country and its peoples reinforces the delicate balance between the environment and the economy. From the earliest native hunters to today's farmers, fishers, miners, foresters and roughnecks, Canadians' livelihoods have been tied to the development and harvesting of our natural resources.



A few statistics from the Green Plan discussion paper quantify this interdependence. More than four million people -- one in every three working Canadians -- are employed in Canada's resource-based industries.

Energy, in particular, is a major export industry and the basis of substantial foreign exchange. I understand some of you in this room are determined to make energy exports even more substantial in the years ahead!

What concerns me is that some Canadians don't seem to grasp these basic realities of our economy and our way of life. Scientist Dr. Carl Sagan describes modern society as one which is "exquisitely dependent on science and technology, *yet hardly anyone knows anything* about science and technology." I'd like to paraphrase Dr. Sagan a little, and describe Canada as a society "exquisitely dependent on energy, but hardly anyone knows anything about energy."

That, as they say, is our cue. We know something about energy, and our knowledge is needed as Canada develops its environmental strategy for the next century.

### ***It's Not Easy Being Green***

As I said at the outset, the energy industry has got to claim a seat at the policy development table, and we've got to visibly demonstrate how we're going to run our businesses differently to prove our commitment to the environment.

It won't be easy. Our motives will be challenged. Our best efforts will be dismissed as window-dressing. Kermit the Frog got it right when he said, "It's not easy being green!"

We're walking a tight rope with a balance pole... and there's no safety net. If the environmental end of the pole becomes too heavy, we risk losing our international competitiveness and the economic means to achieve our environmental goals. If the economic end of the pole dominates, we risk squandering an unparalleled natural legacy.

Yet when we find that balance -- and we must! -- then this industry and this country will truly continue to be the envy of the world.

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### It's Not Easy Being Green

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