
**Sustainable Prosperity
Commentary on the Draft
2016-19 Federal Sustainable
Development Strategy**

June 24, 2016

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Sustainable Prosperity

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Introduction

Sustainable Prosperity (SP) is a national green economy think tank/do tank made up of business, environment, policy and academic leaders. We harness leading-edge thinking to advance innovation in policy and markets, in the pursuit of a greener, more competitive Canadian economy. At the same time, SP actively helps broker real-world solutions by bringing public and private sector decision-makers to the table with expert researchers to both design and apply innovative policies and programs.

At its core, our goals reflect many of the basic principles of sustainable development. That is, we are working to demonstrate that strong environmental stewardship is inextricably linked with both long-term economic opportunity and the ability of future generations and communities to thrive. On a global level, and increasingly at home, the economic and human health costs of mounting resource scarcity and environmental degradation are rising. Growing public demand for action to reduce pollution combined with new business strategies and innovations to improve resource efficiencies have already begun to reshape the global economy, creating a new dimension to international competitiveness centred on low carbon production and resource efficiency. The relevance of sustainable economic growth strategies that also foster a strong environment and vibrant communities has never been more evident, and the need for Canada to get serious about it has never been more important.

The development and release for consultation of the draft ‘Planning for a Sustainable Future: A Federal Sustainable Development Strategy for Canada’ is very much appreciated, as are the increased consultation efforts that have accompanied it. As we prepare to take on the challenge of ensuring that our economy and society move forward in a way that is environmentally sound, the government of Canada is to be congratulated for providing Canadians with a stronger say in how to make this happen.

The following comments on the draft FSDS are provided from the perspective of a wide array of academics, policy experts, business, labour, and environmental leaders. These individuals and organizations have come together through Sustainable Prosperity (including under the Smart Prosperity green growth banner) to identify the linkages between Canada’s environmental and economic opportunities, and explore the policies that could make our markets, institutions, and communities work for a clean and prosperous future.

We hope our comments will be helpful to inform further federal deliberations on this draft Strategy, and to identify future directions for finalizing it. Overall, this commentary is focused on ways for the 2016-19 Federal Sustainable Development Strategy to reset the dialogue on the environment and economy in Canada, and present a practical but ambitious roadmap for

Canada's sustainable development. This roadmap should be built around proactive and achievable goals, targets, and actions, backed up by internal and external engagement mechanisms that will permit the federal government to maximize its success.

Context

Sustainable Prosperity has been an interested observer of the FSDS since its inception under the *Federal Sustainable Development Act* of 2008, and has provided comments as part of the public consultations accompanying previous FSDS (in 2010 and 2013). We recognize that production of the FSDS is a relatively new endeavour for the federal government, and have been pleased to observe that notwithstanding its comparatively short history the Strategy has made significant progress in terms of scope and rigour over the past two iterations. Today it stands as the only consolidated source of detailed information on the totality of the federal government's environmental agenda, covering the activities of some 37 departments and agencies.

As a basic public reporting and information program in support of transparency on the government's environmental agenda the FSDS has therefore already achieved some significant value. However, as a driver of action on that same agenda we share the view of the Commissioner of the Environment and Sustainable Development (CESD) that more work is needed to enable the FSDS to effectively "integrate sustainable development considerations into government decision making"¹. While sharing many other of the CESD's concerns with the direction of the FSDS to date, including with respect to reporting on progress², we feel that stronger incorporation of sustainable development considerations in Cabinet and Ministerial decision-making is critical if the FSDS is to fully realize its legislated role as a vehicle for accountability and positive change, as well as transparency, on the federal sustainability agenda.

Past iterations of the FSDS have only minimally reflected the interconnectedness of environmental policy with our future economic growth and competitiveness. In our view this has been a gap. Global leaders and respected institutions, from the G-7, the World Bank and OECD, through to the Canadian Council of Chief Executives, have become increasingly forceful in stressing the importance of solid environmental outcomes to any country's ability to access markets and build long-term prosperity. In Canada, the Smart Prosperity³ initiative has given voice to the concerns of leading figures from business, labour, civil society, academia, and indigenous peoples that we have been too slow in recognizing this reality, and need to accelerate our efforts to avoid falling irretrievably behind our peers and competitors. The Smart Prosperity narrative aligns well with the core principles of sustainable development, and its priorities and action areas present a practical plan to move forward on key areas of sustainable development in the Canadian context. As the principal vehicle for expression of the federal government's sustainable development policy and approach, it will be important for the credibility of the FSDS

¹ Commissioner of the Environment and Sustainable Development: *Review of the Draft 2013–2016 Federal Sustainable Development Strategy*, pp 5–6, as retrieved from http://www.oag-bvg.gc.ca/internet/docs/cesd_fs_e_38322.pdf

² Commissioner of the Environment and Sustainable Development: *Part 2—Review of The 2012 Progress Report of the Federal Sustainable Development Strategy*, as retrieved from http://www.oag-bvg.gc.ca/internet/English/parl_ cesd_201311_08_e_38678.html#hd2c

³ See <http://www.smartprosperity.ca/>

to demonstrate a similar level of strategic vision and proactive leadership in the face of a rapidly changing world.

The 2016-19 FSDS comes in the midst of a renewal of the international focus on sustainable development, with the 2015 agreement of the global community, including Canada, to adopt the United Nations` Sustainable Development Goals (SDGs) under the 2030 Agenda⁴. This has introduced another layer of scrutiny and accountability for Canada`s plans and actions on sustainable development, with the FSDS potentially playing an important role as a vehicle for leading and reporting on our sustainability commitments, and guiding the underlying policy actions. The profile of the FSDS will increase accordingly, along with the need to strengthen its credibility and effectiveness.

The upcoming release of the final 2016-19 Federal Sustainable Development Strategy (FSDS) is an important milestone for the government of Canada. It will be the first formal statement of the new government`s comprehensive sustainability agenda and underlying priorities, a potential focal point for global observers of Canada`s response to the SDG agenda, and most importantly an opportunity to present a fresh perspective on how Canada will advance on its environmental commitments and objectives while simultaneously strengthening its economic and social foundations.

Commentary

The consultation draft of the 2016-19 FSDS shows strong evidence that the government is determined to better reflect the current policy context in the FSDS, but also raises a number of questions and leaves some important gaps unaddressed. The following comments will hopefully be of use in finalizing the 2016-19 Strategy to address these shortfalls and make the most of the opportunities the FSDS presents.

More appropriate recognition of the socio-economic dimension of sustainable development

New goals on Clean Technology, Jobs and Innovation (Goal 2), and Human Health, Well-being and Quality of Life (Goal 5) mark a significant step forward. These goals explicitly situate the government`s environmental agenda within the economy and society as a whole, a first for the FSDS which has up until now focused almost exclusively on the environment alone. This is supported by several new, economy-oriented targets, including targets on sustainable energy (Target 1.3), clean technology and green infrastructure (Target 2.1), and sustainable mineral resource development (Target 2.8). The government is to be applauded for recognizing that its sustainable development strategy must expand beyond purely environmental themes in order to guide and inform long-term, “smart” prosperity for Canada. It will, however, need to follow-through by ensuring more direct incorporation of environmental sustainability considerations into key areas of economic and social policy decision-making on a day-to-day basis. Some progress in this regard could be made by strengthening internal policies and guidelines, such as the Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals,

⁴ United Nations, *17 Goals to Transform our World*, as retrieved from: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

and the guidance for Strategic Environmental Assessments, to ensure more rigorous incorporation of environmental sustainability considerations into economic and social policy decision-making at the Cabinet table and elsewhere.

Incorporation of United Nations Sustainable Development Goals

The 2030 development agenda of the United Nations (UN) sets out 17 Sustainable Development Goals (SDGs) that all signatory countries have agreed to pursue within their own borders and on a global basis. The 2016-19 FSDS is being proposed as a key part of Canada’s domestic policy, planning, and reporting response to the SDGs, with linkages drawn to 12 out of the 17 UN Goals. Given the wide-ranging scope of the SDGs, this not only reinforces the connection between the environment and strong economic and social outcomes, but also recognizes the interconnectedness of Canada’s sustainability policies with what is happening in the rest of the world. In this respect the 2016-19 FSDS, particularly the targets under Goal 1 on climate change and Goal 2 on clean technology and innovation, is aligned with the clean growth imperative that cuts across virtually all the SDGs, sending a positive signal to Canadian business and society of the need to keep pace with changing markets and practices. We welcome the government’s implied intention to position the 2016-19 and future FSDS as a key pillar of Canada’s policy, planning, and reporting efforts in advancing work on the UN Sustainable Development Goals.

The 2030 Agenda’s 17 Sustainable Development Goals (SDGs)⁵



⁵ United Nations, as retrieved from <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Improved transparency and flexibility through the e-Strategy

The 2016-19 draft FSDS makes use of a new web interface that allows users to not only access the overall FSDS story, but also tailor the elements of that story to zero in on particular sub-themes and issues important to them (for example, to answer the question of what the federal government is doing on sustainable development with respect to indigenous communities, the natural resource sector, or the North, and within each of those topics to find out the activities it is partnering on with various groups, the policy instruments it is using, and the federal departments involved). By allowing information to be quickly parsed down to only include what is relevant to the question at hand, this initiative greatly improves government transparency without burying users under a deluge of superfluous facts and data. Perhaps most importantly, the e-Strategy will allow the government to broaden the scope of the FSDS to capture a wider range of policies and activities that link the environment with economic and social policy, opening the door to planning and reporting on the full range of sustainable development in a manageable, cost-effective, and user-friendly manner. It could also allow the government to “evergreen” the Strategy through mid-cycle updates to the FSDS and Progress Report to reflect significant new priorities and developments.

Filling in the details

As a new government with a still-unfolding policy and program agenda in many key areas, it is probably not surprising that implementation strategies remain at a very general level in the consultation FSDS under most targets (also of note, there are no implementation strategies whatsoever yet specified under Target 4.1 on Great Lakes Areas of Concern). While recognizing that the draft Strategy was released prior to confirmation of program funding in Budget 2016, and mindful of the communications benefits of a more streamlined approach, departments now have the budgetary certainty to present more details on their key programs and activities under specific targets. It will be important for the transparency and credibility of the government to include greater details on implementation strategies in the final version of the Strategy (for example, under target 2.1 on Clean Technology and Green Infrastructure, the implementation strategy on *Investment in green infrastructure and technologies to reduce GHG and air pollutant emissions* should now be able to provide some specific information on activities under the \$1 billion for clean technology development and the \$800 million to support innovation networks and clusters, as announced in Budget 2016). With the introduction of the e-Strategy, this level of detail could be incorporated into the web version of the FSDS, while somewhat less detail could be incorporated into the downloadable, consolidated Strategy to preserve its overall readability.

Clarifying implementation strategy leads

The downloadable PDF version of the 2016-19 FSDS does not indicate which department is responsible for the implementation strategies under each target, while the e-Strategy version does provide this information. In addition, review of the identified leads for specific implementation strategies in the e-Strategy may be warranted: for example, the Atlantic Canada Opportunities Agency is identified as the only department leading on “Domestic collaboration to promote clean energy” under the sustainable energy target, which does not seem intuitive for what is presumably a national implementation strategy. To avoid confusion and improve transparency

and accountability, lead Ministers and departments should be verified and identified for all implementation strategies throughout both the web-based and PDF versions of the final Strategy.

Carbon pricing and other market based mechanisms

Market-based approaches are widely recognized as key mechanisms for driving clean innovation and sustainable growth. Sustainable Prosperity supports the government's decision to pursue a national price on carbon in Canada, and recognizes the importance of first seeking a federal-provincial-territorial consensus on Canada's national climate change target. However, the absence of an overarching commitment on pricing carbon nationally as a timely policy target under Goal 1 of the FSDS is surprising, given the government's clear commitment to this objective in other policy statements, including the 2015 Speech from the Throne.

While recognizing that the FSDS cannot set new policy separate from Cabinet, it would also be appropriate for the Strategy to signal the government's intention to explore the role of market mechanisms as a means of addressing environmental challenges beyond climate change mitigation, including air pollution emissions, chemicals, water use, conservation, and species at risk, among others. Examination of the potential role of market mechanisms in positioning the government for more effective and efficient approaches to long-standing environmental challenges could be incorporated as a deliverable within relevant policy research and analysis implementation strategies in the 2016-19 FSDS.

Filling gaps in the new Clean Technology, Jobs and Innovation goal

As noted above, the new Clean Technology, Jobs and Innovation goal of the 2016-19 FSDS is a welcome expansion of the scope of the Strategy. At the same time, a review of the targets under this goal indicates some significant gaps in coverage of the relevant activities and sectors. Resource sectors are heavily represented under Goal 2, which we support, but other sectors are conspicuous by their absence, including major EITE sectors such as cement or chemicals, as well as transportation, manufacturing, and buildings. Moreover, there is no clean technology/innovation-related target for the oil and gas sector, perhaps the most important single resource sector from a combined economic and environmental impact perspective, and also one that has been quite active in the pursuit and application of clean innovations (with the support of several government programs). For the final iteration of the 2016-19 FSDS, there appears to be significant room to expand sector coverage under the Clean Technology, Jobs, and Innovation goal to fill these gaps.

Federal procurement policy may be under-sold in the Strategy

Under the Sustainable Workplace Operations target of Goal 2, federal procurement is primarily cast as a means to reduce the environmental footprint of federal operations. This is a laudable objective, but one that under-sells the potential of the \$20 billion plus spent each year by the federal government on the purchase of goods and services for its operations. Federal procurement policy can have a significant impact on the development and adoption of clean innovations and technology not only inside the federal government but throughout the economy as a whole. Indeed, this is already recognized on a small scale through the Built in Canada

Innovation Program (BCIP) of Public Services and Procurement Canada, which is surprisingly absent from the Strategy. A recasting of the discussion and placement of government procurement under the innovation-related targets of Goal 2 would better reflect its much wider potential as a policy tool to drive and facilitate innovation.

SMART targets

The FSDS has shown steady improvement in providing Canadians with specific, measurable, achievable, relevant and time-bound (SMART) targets over each of its past iterations, and this is evident in comparing many targets in the 2016-19 Strategy with those of previous cycles. However, several key new targets such as Target 1.3 on sustainable energy, Target 2.1 on clean technology and green infrastructure, and Target 2.8 on sustainable mineral resource development exhibit virtually none of the SMART criteria. As currently presented, it is impossible to determine what specific outcomes the government is pursuing in these areas, by when, and how they will be measured. It is also not possible to do serious benchmarking against the actions, achievements, and aspirations of other leading nations on the basis of these targets, to ensure that they are up to the standard required to support Canada's competitiveness as a low carbon, resource efficient economy. Given their importance, these new Goal 1 and Goal 2 targets would greatly benefit from a review to develop more precise outcome and timing objectives in line with the Strategy's overall commitment to the SMART criteria.

Progress Report conclusions and FSDS target-setting could be better integrated

Ensuring an ambitious and achievable sustainability agenda requires a critical look at progress reporting and honest assessment of shortcomings in order to set appropriate future targets and facilitate continued progress. This could be improved upon in the draft FSDS. To take one example, looking at the 2013-2016 FSDS, Target 3.1 aimed to: "Increase the percentage of on-reserve First Nations water systems with low risk ratings from 27% to 50% by 2015. Increase the percentage of on-reserve First Nations wastewater systems with low risk ratings from 35% to 70% by 2015." While according to the 2015 Progress Report on the FSDS the water systems target was exceeded with 57% low-risk ratings, the wastewater target fell well short, only reaching 48% in 2014-15. Without explanation for the change, in the draft 2016-2019 FSDS the corresponding target (now Target 5.3) has significantly reduced ambition than in 2013-16, aiming for 54% low-risk rating for drinking water systems, 3% less than has already been achieved according to the 2015 Progress Report. Meanwhile, Target 5.3 now aspires to reach 65% low-risk for wastewater systems, 5% lower than the previous wastewater objective. The 2015 Progress Report fails to explicitly acknowledge the shortcomings that led to the wastewater target not being achieved, while the proposed 2016-2019 FSDS does not address the reasons for reducing the level of ambition across the board. To ensure credibility and integrity, both the Progress Report and the FSDS could present a more critical assessment of progress, and properly contextualize target adjustments against both past shortcomings and the level of ambition going forward.

Indicator gaps and misalignments

The government is to be applauded for introducing new targets on sustainable energy, clean technology and green infrastructure, and coastal ecosystems, but has not yet identified the indicators that will be used to track progress on these objectives. As well, most other indicators for the targets under Goal 2 are not aligned with the main theme of clean technology, jobs, and innovation, but rather relate to measures of regulatory compliance and resource harvest rates. Having taken the important step of expanding its perspective on sustainable development to include critical economic activities such as clean technology growth and sustainable energy strategies, it would seem appropriate to ensure that the indicators used to benchmark and measure performance in these areas are informative, clear, and appropriate. This could be accomplished by expanding beyond science and program-based indicators (with which the FSDS is very well-served by the Canadian Environmental Sustainability Indicators program (CESI)) to also include more integrated environment-economy indicators of progress, either as an addition to CESI or as a separate suite of dedicated FSDS indicators.

Many indicators that capture both the economic and environmental dimensions associated with clean technology, sustainable energy development, and green innovation are readily available in the Canadian context (for example, GHG and energy intensities, clean technology exports, renewable electricity generation, “green” patents, the Clean Innovation Index). It would also be appropriate to connect FSDS indicators with key international indicator work now underway given the linkages between the FSDS and SDGs, in order to benchmark Canadian performance against international peers. In particular, the OECD’s Green Growth indicators provide several highly credible and relevant environment-economy indicators to measure progress across the FSDS that also align with the proposed official SDG indicators⁶ (for example, Goal 2 indicators could be expanded to include, among others, the OECD’s indicator on domestic R&D relative to GDP, and environmentally related inventions per capita, while Goal 1 could include indicators on energy and GHG productivity).

Sustainable Prosperity is taking a comprehensive approach to its upcoming indicator report under the Smart Prosperity framework, which shares the newly expanded FSDS focus on goals and actions that simultaneously support Canada’s environmental health, economic competitiveness, and quality of life. A similarly comprehensive set of indicators to measure progress at the intersection of these relationships under the FSDS would greatly improve its credibility and relevance as a roadmap for positive change in Canada.

Options for a more proactive engagement and accountability approach

As noted in many parts of the draft FSDS, the role that the federal government can play in any sustainable development strategy is very often limited, because many of the issues touch on provincial-territorial jurisdiction or are in the hands of indigenous communities or the private sector. Indeed, even within the federal government there are inevitable coordination and collaboration challenges across Ministers and departments, who often separately lead on specific

⁶ United Nations Statistical Commission (2016), as retrieved from <http://unstats.un.org/unsd/statcom/47th-session/documents/2016-2-IAEG-SDGs-E.pdf>

elements of the Strategy without clear accountability mechanisms. The alignment of all actors on all goals and targets in the FSDS would be dauntingly complex, if not impossible, but there are things the government can consider to improve its consensus-building and delivery capacity around the Strategy for the 2016-19 cycle. For example, the government could take steps (e.g. resourcing, regular annual meetings and ongoing secretariat support) to better tap into the diversity of the Sustainable Development Advisory Council and the wide range of business, labour, indigenous peoples, civil society, and regional views on sustainable development that its members possess. There may also be a select number of key priorities under the Strategy, such as clean technology and clean innovation, where the government could develop ongoing FPT and private sector processes to build consensus on how best to achieve related targets. Internally, steps to increase the level of shared ownership of the FSDS within the federal government could include referencing each Minister's responsibilities under the Strategy in mandate letters and Deputy Minister performance agreements, as well as incorporating sustainable development principles into the government-wide Management Accountability Framework.

Conclusions

The federal government is to be congratulated in releasing a draft FSDS that is in many respects a marked departure from previous iterations in terms of scope, focus, and content. The changes that accompany the draft 2016-19 Strategy, including the introduction of the e-Strategy, are both substantively and directionally very positive.

However, some long-standing gaps and shortcomings in the FSDS have not been completely addressed, while certain of the new directions, particularly the important decision to incorporate a greater economic and social policy focus, require additional attention to realize their full potential.

We trust that our comments on these issues will be received as they are intended – to constructively contribute to the efforts of the government to improve the FSDS as a key planning and reporting tool for sustainable development in Canada, and a major pillar of Canada's response to the Sustainable Development Goals endorsed by the global community. As noted, the government has already taken several major steps in that direction through the draft 2016-19 FSDS, and we look forward to release of a final version of the Strategy that continues this positive momentum.