

Economy and Environment Program Framework

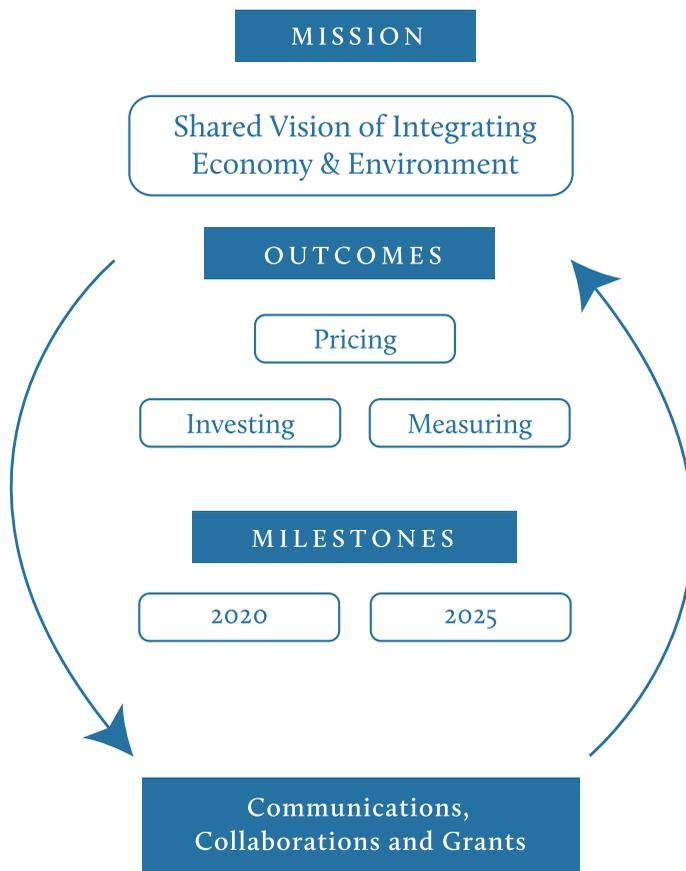
IVEY FOUNDATION

THE MISSION OF THE IVEY FOUNDATION'S Economy and Environment Program is “to help create a shared vision for Canada’s future — one that integrates the economy and the environment, achieves resource efficiency, and fosters innovation and investment for a smarter, sustainable economy.”

This document describes the desired outcomes of the Program and the granting strategies the Foundation will use to achieve them. The Framework document itself has two primary audiences: first, it is intended for internal use by the Foundation as a tool to provide a clear and consistent focus for grant decision making while also allowing the Program to evolve over time; second, it is meant to assist external stakeholders and potential grantees so they can better understand the Program and the ways in which it may align with their own organization’s activities.

THE PROGRAM is focused on achieving three desired outcomes. These three outcomes fall within the overarching mission of creating a shared vision of integrating Canada’s economy and its environment. The primary outcome is to advance the understanding and adoption of *pricing* as a mechanism to be used to internalize environmental costs across our economy. Putting an accurate price on environmental externalities ultimately sends the signals required to level the playing field and drive the actions of businesses, the public, and other stakeholders so that they become more sustainable. The pricing outcome is, in turn, supported by a shift of *investing* approaches that will encourage the development of resource efficient and innovative businesses and infrastructure. The third outcome is that of enhancing the *measuring* of economic, environmental, and social well-being beyond traditional gross domestic product [GDP] indicators. This combined focus on pricing, investing, and measuring are the systemic change drivers that will lead to a smarter, sustainable, and prosperous economy for Canada.

THE FRAMEWORK describes the Foundation’s priorities and focus for each of the three Program outcomes. The Program structure, illustrated on page 4 as **FIGURE 1**, is designed to facilitate regular feedback and adjustment as the results from grants and other Program initiatives are analyzed and as the external context shifts over the ten-year Program cycle.



[FIGURE 1]

THE RESULTS OF THE IVEY FOUNDATION'S research, conversations, and convening over the past three years have reinforced the timeliness of a Program focusing on the integration of economy and environment. There is a great need for this type of program, since Canada's economy is based substantially on resource extraction, with governments largely facilitating the economic development of the country's natural resources through various forms of policies and subsidies. Growing environmental and socioeconomic pressures further support the need for new thinking and fresh approaches that will enhance the prosperity of the country far into the future.

The world is pushing up against ecological limits to growth, characterized by extreme weather events, water crises, climate change, and biodiversity loss,¹ and this has accelerated the need for new approaches. On the other hand, rapidly shifting and positively disruptive business model changes are taking place, ranging from the electrification of vehicles to the dramatic decrease in the cost of solar and other renewable energy storage technologies to peer-to-peer lending, mobile wallets, and the sharing economy. This combination of increasing environmental risks and new technologies that allow for disintermediation² of business models, along with mounting frustration from a new generation of leaders with Canada's failure to implement sustainability commitments, makes status quo economic activity not only unacceptable to a growing segment of society but also unlikely. These are the conditions for change.

While it is acknowledged that change is needed, there is no shared sense of what a viable alternative economic future could look like in Canada. Historically, resource and environmental issues have been presented as "jobs versus the environment." Instead, it is vital to build public and business support for shifting economic incentives and subsidies — away from inefficient and polluting economic activity toward more environmentally and economically productive endeavours. Insights from behavioural economics will need to be used, in order to support and engage Canadians in actions that build better integration of economy and environment, based on a shared Canadian vision. Active conversations concerning a low-carbon economy, a bioeconomy, and/or a circular economy may help frame the debate.

A number of examples already exist, where linkages between economy and environment have been implemented successfully. These include the greening of Ontario's electricity sector, British Columbia's carbon tax, "Greenbelts" in Ontario and

Nova Scotia, and the Canadian Boreal Forest Agreement [CBFA]. The Ivey Foundation will build upon these and other efforts, working in collaboration with research institutions, NGOs, other foundations, business leaders, and additional partners in order to bring about this change.

OBJECTIVES AND GRANTING STRATEGY FOR ACHIEVING OUTCOMES

THE PRICING, INVESTING, AND MEASURING OUTCOMES will be supported by Program objectives and a granting strategy in order to meet short- and medium-term milestones. The objectives include the following:

- 1 Painting a compelling, credible vision for a sustainable, low-carbon economy through collaboration and convening.*
- 2 Building a roadmap to this vision by supporting knowledge, research, analysis, and measurement tools.*
- 3 Engaging and supporting champions and new collaborative networks as messengers.*
- 4 Communicating widely and promoting positive solutions and success stories.*

These objectives, along with the Foundation's desire to understand barriers to change and to overcome them by establishing new partnerships, constitute a unique differentiator for the Program. As such, the Foundation will continue to play a convening role to drive discussions, provide incentives for organizations to build upon each other's work, and encourage organizations to be collaborative in their research and communications.

This approach requires organizations to take risks and to build trust so that new ideas are welcomed and shared and successful initiatives are recognized. The security of knowing that a long-term financial support structure exists through this Program will help these types of arrangements to succeed. The translation of small parts and actions into a scalable whole is a unique aspect of the Foundation's Program design.

THE PRICING OUTCOME

Integrating economy and environment requires a deeper understanding of the environmental price signals that drive resource efficiency and foster innovation. For instance, the Foundation may support initiatives like the following: research that can be used to inform pollution-pricing policy options, which provide incentives for the development and support of business practices and models that conserve resources and/or that develop solutions to environmental challenges.

The Foundation may also support the convening of experts to provide analysis of the types of changes to environmental pricing that would result in systemic changes to the Canadian economy. Research of this nature, which will inform policy development, will also provide the necessary evidence and certainty for the financial and business sectors to release additional capital to support greening of the economy.

Under the pricing outcome, there are two focus areas:

- 1 Analysis and knowledge development concerning ecofiscal reform initiatives — including carbon pricing, water pricing, pollution pricing, road congestion pricing, and catastrophic risk pricing.*
- 2 Understanding the options available to governments to assist them in implementing reforms based on efficient allocation of resources, support for the development of clean technologies, and business practice changes in resource-intensive sectors.*

THE INVESTING OUTCOME

Integrating economy and environment requires shifting investment strategies to support the development and growth of low-carbon, resource-efficient, and innovative businesses. Investments can be made by all stakeholder categories from governments to corporations to the financial sector and individuals. Involvement by the Canadian financial sector is particularly important because it has international respect and influence. It also has the capability to motivate industries to internalize environmental externalities. Finally, it is important to note that the financial sector is not a uniform constituency but is made up of different types of organizations, including banks, asset managers, and pension funds, each with unique interests and perspectives.

The long-term goal is to bring about a critical mass of investment decisions that will incorporate environmental, social, and governance [ESG] factors and information as part of the investment process.³ Achieving this goal will require:

- 1 *Better quality and greater quantity of corporate ESG data and information.*
- 2 *Engagement and training of investment professionals in order to facilitate the understanding, interpretation, and use of ESG data and information in investment decisions.*
- 3 *Demand from clients to integrate ESG and adjustments to traditional financial benchmarks.*
- 4 *Pricing of environmental externalities, to provide market certainty.*
- 5 *Addressing the short-term focus of capital markets and changing this to a longer-term perspective, which assesses and provides value to the broader economy and society.*

The overall impact of the Ivey Program's work on investment will be to:

Increase the amount, types, and sources of capital that support resource efficiency, sustainable business practices, green infrastructure, and long-term economic development in Canada.

The Foundation is undertaking a landscape analysis of the capital markets in Canada and interviewing a number of financial sector experts to hear their perspectives on accelerating the integration of economy and environment.

THE MEASURING OUTCOME

Measurement and reporting are important tools for driving improved performance by businesses and governments, and they can be used by the public to hold these entities accountable for meeting commitments and standards. Measuring the integration of economy and environment is also required in order to determine whether the initiatives and collaborations that the Ivey Foundation is funding are having an impact.

As a first step, it is critical to develop an understanding of the green economy indicators that are currently being monitored, the additional indicators that need to be developed, the data that are available to be collected, and whether decision makers can readily use that data.

Some work has been done in this area by the Organisation for Economic Co-operation and Development [OECD] and other agencies, and there is increasing interest in understanding trends and indicators for industry sectors and individual business enterprises.⁴ In this part of the Program, the Foundation will play an important role

in examining what could work for Canada and in addressing how to ensure relevance for government, business, investors, and the public.

The measurement outcome has three main areas of focus:

- 1 *Developing a set of “green growth indicators” for Canada.*⁵
- 2 *Businesses, investors, and governments actively measuring progress toward sustainability as a core indicator of prosperity.*
- 3 *Expanding the range of measures by which Canadians assess their well-being.*

In addition, the Foundation is currently supporting research by the International Institute for Sustainable Development [IISD] to develop a framework and propose a set of inclusive wealth indicators for Canada.

NEXT STEPS

THIS FRAMEWORK for the Ivey Foundation’s Economy and Environment Program has described the priority outcome for the Program — pricing environmental externalities — as well as the two supporting outcomes, investing and measuring. The Program will be built over a ten-year timeframe, and one of the next steps is to develop milestones that can be used to evaluate the impact of the Program in 2020 and 2025.

In order to contribute to the development of Canada’s future prosperity through the integration of economy and environment, the Foundation will engage with influential stakeholders during various phases of the Program in the context of each of the Program outcomes.

The interplay between stakeholders and between the outcomes will allow results to scale beyond specific granting initiatives. There will be points in the development of the Program where some outcomes will move forward more quickly and with less resistance than other outcomes (e.g., recent activities related to provincial carbon pricing). The Framework structure is flexible, in order to allow this type of opportunistic progress, while also ensuring that other outcomes stay on track for long-term impact. The dynamic nature of this Program requires adjustments, iterative learning, and adaptation based on the results from the grants, the relationships that are developed with stakeholders, and the changing economic context in Canada. It is this evolutionary process — together with patience, persistence, transparency, and thought-leadership — that will allow the Foundation to successfully carry out its mission.

Ongoing engagement and input from stakeholders from business, the financial sector, government, and other experts will be sought out and will be welcomed as the Ivey Foundation's Economy and Environment Program evolves.

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1. World Economic Forum, *Global Risks 2015*, 10th edition (Geneva: World Economic Forum, 2015).
 2. "Disintermediation" is the removal of intermediaries, or "middlemen," in a supply chain. Instead of going through traditional distribution channels, companies may now deal with each customer directly — via the Internet, for example.
 3. The terms "sustainability" and "ESG" are used interchangeably and refer to environmental, social, and governance issues. "Sustainability" is often used to ensure that the perspective being captured includes cross-generational impacts. Some investor groups prefer to use the term "ESG," rather than "sustainability."
 4. Tomasz Koźluk and Ziga Zarnic [OECD] Hoseok Kim [GGGI], Fulai Sheng, Andrea Bassi, and Markus Lehmann [UNEP], and Marianne Fay, Kirk Hamilton, Erika Jorgensen, and Glenn-Marie Lange (World Bank), "Moving towards a Common Approach on Green Growth Indicators" (presented at the 2nd Annual GGKP Conference, April 4–5, 2013, in Paris, France); TD Economics, "The Greening of the Canadian Economy — Index of Indicators" (Toronto: Toronto-Dominion Bank, 2013).
 5. Research by the International Institute for Sustainable Development [IISD] on inclusive wealth indicators will be used to support the development of measures for the Program. Key considerations to integrate into the development of specific indicators for the Program include relevance, credibility, measurability, sensitivity to change, and communication.

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