

## Why is 'Going Green' Good Business Practice

### The Trinidad and Tobago Perspective

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In recent decades, global economic growth has been accompanied by escalating concerns about energy availability, food security, and the accumulating impacts on the environment as manifested by climate change, excessive waste, and reduced availability of natural resources. Many developing countries, including Trinidad and Tobago, have been introducing environmental protection and conservation legislation to deal with the previously unchecked impacts on the environment, thus reducing environmental impacts as an externality to the cost of doing business. Some of these previous externalities are now being captured through the need for permits, payment of fines and penalties, as well as the cost of equipping or retrofitting businesses with the appropriate devices to reduce or eliminate environmental impacts. Thus, damage to the environment as a result of business practices is now included in the actual cost of doing business.

In part motivated by this new cost, and in part because of a growing recognition of the need to act responsibly, corporate and industrial sectors are demonstrating greater buy-in to environmentally sustainable business practices and are incorporating them in environmental programs and wider Corporate Social Responsibility (CSR) initiatives. However, opportunities for meeting the challenges still need to be more widely seized and supported by relevant stakeholders. Continued research and application of 'green' or environmentally-responsible business practices have generated a school of thought which espouses that concern for the environment, not only benefits society but can also be eminently profitable to an organization.

To articulate one generic definition for 'greening' business practices is quite challenging given the diversity of business operations and varying scales and opportunities for 'going green'. Broadly speaking, 'greening' forms a critical element of the application of sustainability principles to business operations and, any business making the decision to 'green' its operations would achieve maximum results if it considers the triple bottom line approach. This approach is essentially a method of evaluating corporate performance by measuring profits as well as environmental sustainability and social responsibility. Thus, businesses committing to sustainable business practices create

opportunities for new, innovative and competitive products and services and the development and utilization of breakthrough technologies. Such practices also provide avenues for building strategic partnerships, synergies and relationships throughout supply chains and influencing consumption, production and investment patterns. Business sustainability also motivates enterprises to consider new ways of operating, not only internally, but also with respect to stakeholders and communities while providing opportunities for developing environmentally and socially aware leaders and staff.

Trinidad and Tobago as a case study for 'green' business and wider business sustainability is intriguing, in that though our economy is fueled largely by the energy industry and other export based sectors, there is a wide scale and diverse cross-section of business operators engaging in various aspects of agriculture, tourism, finance, service and community based activities.

The case of Trinidad and Tobago is also quite interesting in that through the Environmental Management Authority and the Environmental Management Act Chapter 35:05 (EM Act), we have at our disposal a framework for the development of a series of legal instruments to regulate business practices with respect to the environment.

Subsidiary legislation formulated under the EM Act include: the Noise Pollution Control Rules; the Water Pollution Rules 2001 (as amended); the Certificate of Environmental Clearance Rules; the Environmentally Sensitive Areas Rules; and the Environmentally Sensitive Species Rules, all of which set stipulated regulations for businesses to operate in a legislatively responsible manner. The Certificate of Environmental Clearance (CEC) (Designated Activities) Order (as amended) lists 44 local development related activities requiring a CEC before the activity can commence via any developer – public or private. In the EMA's consideration of a CEC application developers are required to provide information to the EMA reflecting an evaluation of all phases of their operations, including determination of all the potential significant environmental impacts and realistically developing management plans to mitigate any impacts including waste discharges into the air, water and land, as well as impacts on the surrounding biodiversity. In some cases, an Environmental Impact Assessment (EIA) is required to furnish this information. The EM Act also mentions several voluntary mechanisms which could be developed by the EMA to augment our regulatory role. These mechanisms include subsidies, incentive programmes, tax incentives, certification programmes, eco-labeling and deposit –refund systems among others.

While regulatory mechanisms can assist with mitigation of impacts associated with development projects, the ideal situation would be a practice where businesses in Trinidad and Tobago act under the understanding that environmental problems are costly and environmental improvement can deliver economic and competitive advantages. The following section explores some of the benefits to be derived from sustainable business operations.

The application of 'cleaner production' translates into lower operating costs and increased resource efficiency. Cleaner production is a preventive environmental protection initiative which is intended to minimize waste and emissions and maximize product output. The initiative is company specific and focuses on analyzing the flow of materials and energy in a company in order to identify options to minimize waste and emissions out of industrial processes through source reduction strategies.

Increasingly, companies are aiming to minimize costs from the early stages of their operations by looking at areas for 'greening' their operating space. Initial investments into energy saving lighting fixtures, water saving toilets and faucets, sensor systems for room cooling and heating and waste recycling systems augur well for future justification of operational 'greening'. Locally, many companies are starting on a small scale with waste management systems such as paper and plastic recycling, organizational policy with respect to double-side paper printing, reuse of old envelopes for internal correspondence and lights off policies when rooms are not in use.

In a changing global era, where creative marketing and advertising impact heavily on business viability, the competitive advantage of 'going green' cannot be discounted. Many companies have been guilty of "green-washing" in that they realize the marketing benefits of going 'green' and falsely claim 'green' selling points. Today's consumer is more sophisticated in his/her understanding of a sustainable company and is making more informed choices. Once these gains are strategically institutionalized into a company's operations and marketed to the public, several positive benefits will arise.

Very often, companies which demonstrate sound environmental and social practices enjoy preferential financial relationships with like-minded enterprises. A good local example of this is Anthony P. Scott who has teamed up with Coty Inc, one of the world's largest cosmetic companies for the distribution of a unique eco-friendly fragrance developed using a water based formulation and to be distributed using eco-friendly packaging, with percentages of sales dedicated to local environmental initiatives. Companies which exhibit sound environmental management systems (EMS) usually seek international certification such as ISO 14001. Such certification provides an internationally recognized and externally verified testament to the company's commitment to continuous improvement and sustainable practices. Companies employing such a strategy are able to enjoy trade and export benefits and rights associated with quality standards. Locally, the Trinidad and Tobago Bureau of Standards is a designated third party EMS auditor for ISO 14001 and has audited clients such as Atlantic LNG, BHP Billiton and Trinidad Cement Limited.

With the global economy for traditional goods and services in slow growth, sustainable business options provide entrepreneurs with exciting and new business options. In Trinidad and Tobago companies such as Piranha Technology Asset Management Ltd and Caribbean Tech Disposals have been able to flourish. These companies are involved in

electronic waste (e-waste) management via environmentally sound methods. They offer services such as equipment resale, computer recycling and redeployment services (upgrading and redeploying existing hardware). They have also been utilizing further CSR opportunities by providing used equipment to charities. Companies such as Magic Mist Group have been very innovative in developing its own in-house 'green seal' which they use on their eco-friendly cleaning and maintenance products. Eco-labeling initiatives have also been used internationally to distinguish enterprises which have made that commitment to sustainability. In the tourism sector, certification labels such as Green Globe 21 (used specifically to assess the sustainability of hotels and resorts) and Blue Flag (used to assess the sustainability of beaches) have been used as successful marketing tools globally. In Trinidad and Tobago, the Tourism Development Company (TDC) is working to promote these programmes locally.

As was mentioned earlier, the concept of CSR has been growing as one of the ways in which companies demonstrate their commitment to the triple bottom line. Recently, the South Chamber of Industry and Commerce hosted its 2<sup>nd</sup> annual CSR Leadership awards with six companies emerging as leaders in categories ranging from *Transparency* to *Sustaining the Environment*. Continued support for these CSR initiatives will only serve to encourage companies to explore investments in environmental and social responsibility.

Sustainable business practices are not only applicable to big or emerging businesses; they are also relevant to the community based entrepreneurial thrust as well. A good example of this is the community-based organization called *Nature Seekers*. This group which has been actively involved in protecting the endangered Leatherback Turtles in Trinidad and Tobago has also been trying to boost economic initiatives in the communities of North East Trinidad. They have been training community members in eco-tourism practices such as tour guiding and turtle protection. They have also created an eco-lodge, catering to nature tourists and they have also initiated a Matura Beach Glass Recycling Project, whereby community members produce jewelry from glass bottles collected from the beach. Their jewelry is sold both locally and abroad to generate income for the upkeep of the turtle conservation project.

A glaring gap in 'green' business in Trinidad and Tobago is in the area of renewable energy. This is clearly due to the relatively inexpensive fossil fuel energy provided by oil and gas, and the current absence of incentives to encourage the development of industries involving the development and sales of technologies such as solar, wind and wave power. However, a recent mandate given to a Renewable Energy Committee may see this change in the short to medium term. Trinidad and Tobago is well set to take a leadership role in renewable energy in the future recognizing the tremendous resources which reside within the energy sector.

If companies are to be motivated in engaging in sustainable practices, there needs to be commitment and collaboration from cross cutting sectors such as financial and

government. Policy amendments with respect to subsidies for investment in 'green' +technologies, tax incentives for purchasing of environmental equipment and financial and non-financial incentives geared towards small and medium enterprises, need to be explored and implemented. Similarly, the financial sector has a major role to play in the systematic approach of encouraging 'green' business. Providing access to credit is a good way of encouraging companies to invest in 'green' technologies. Lower interest rates and softer insurance premiums for sustainable projects are all ways to encourage 'green' projects. It is also imperative that lending institutions locally reassess lending criteria and include conditions for environmental risk associated with projects.

We, in Trinidad and Tobago, must be cognizant of the transitioning world economy we are part of due to globalization. Traditionally, nations were competitive if their companies had access to the lowest cost of raw materials, labour and capital. Because technology changed slowly, a comparative advantage in inputs was enough for success. Today, this notion of comparative advantage is obsolete. Companies can source low cost inputs from anywhere and rapidly emerging technologies can offset disadvantages in cost of inputs. Increasingly, the nations and companies that are most competitive are those which employ the most advanced technologies and efficient methods of using their resources (natural, physical, human or capital). Environmental progress demands that companies innovate to raise resource productivity, even in the absence of regulatory regimes. Developing countries such as ours need to understand that as sustainability emerges as an essential component of the strategic agenda of the global economy, organizations need to find the equilibrium between generating profits and reducing the impact of their activities on people and the environment.