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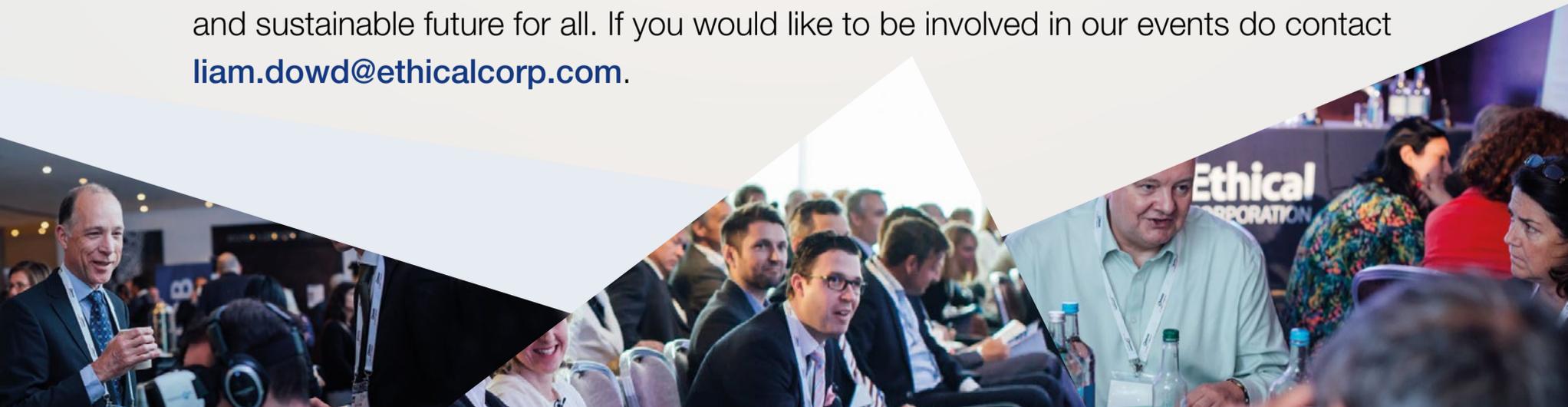
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Editor's letter

Welcome to the September 2017 issue

This month we travel to Canada to see how the country has reversed course on climate under the leadership of Justin Trudeau.

As a Canadian long ago transplanted to London, I wanted to delve into Trudeau's prospects for success. Having a strong climate proponent in North America is also important for the world, with Donald Trump now in the White House and driving in the opposite direction.

Diana Rojas looks at how the Pan Canadian Framework on Clean Growth and Climate Change, which takes effect from next year, will stitch together provincial climate pricing schemes into a nationwide approach to cutting the country's CO₂ emissions. She also writes about how Canada will seek to protect its green economy in talks to renew the North America Free Trade Agreement. I look at what the Alberta government and companies like Suncor are doing to tackle Canada's largest source of emissions, its oil sands.

Carmen Gómez-Cotta writes about how big mining companies like Teck Resources and Goldcorp are reducing their environmental impacts, while April Streeter examines unresolved human rights issues over resource extraction, and the improvements that are still needed in Canada's relationship with its indigenous people.

Our second briefing this month examines the debate over Fairtrade in the wake of Sainsbury's highly controversial decision to abandon the ethical trading scheme for tea. Mike Scott looks at what went wrong for Fairtrade, and whether alternative in-house schemes by companies will be a better or worse deal for farmers and the planet.

Enjoy.

Terry Slavin

Editor



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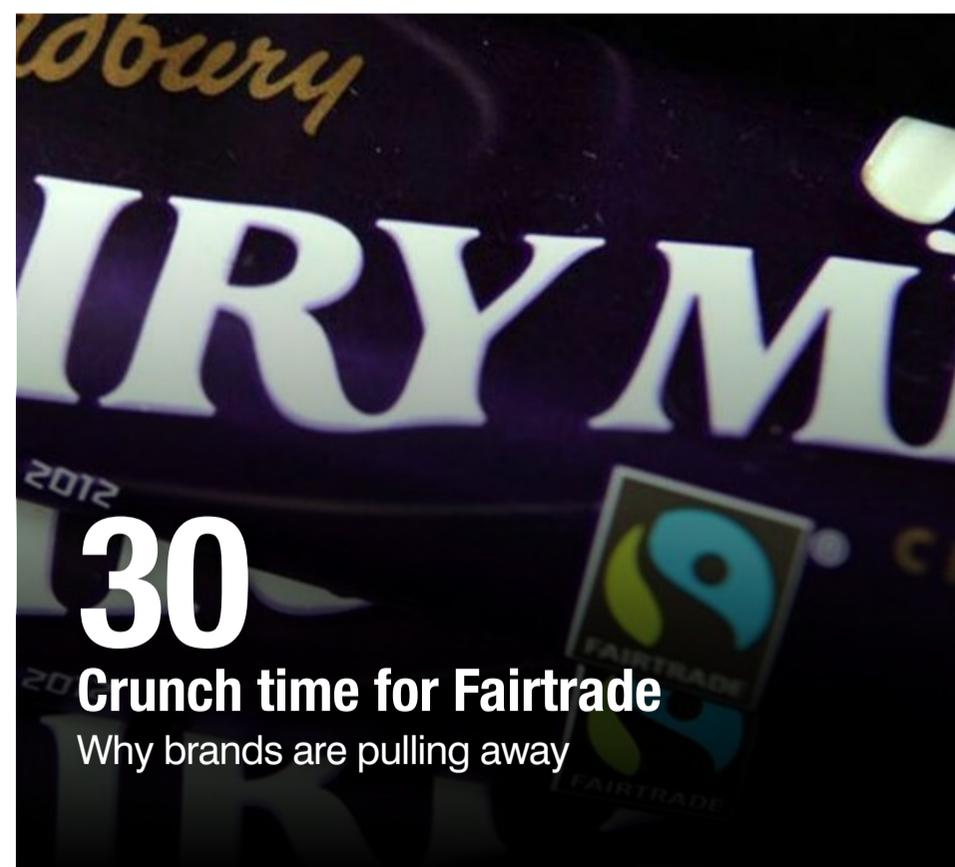
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Why brands are pulling away



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Trudeau brings Canada in from the cold in climate politics

Terry Slavin

The rise of Justin Trudeau as the ‘anti-Trump’, driving through an ambitious climate plan, is a breathtaking reversal from his predecessor

There is a telling moment in Al Gore’s new film *An Inconvenient Sequel* when Justin Trudeau goes up to the former US vice president at the Paris Climate talks in 2015 and eagerly introduces himself, prompting him that he is Canada’s new prime minister.

Canadians have long chafed about being overlooked by their powerful and populous southern neighbour, but for the most part could at least comfort themselves that they were seen as the good guys on the global stage.

That all changed from 2006 to 2015 when Stephen Harper, the son of an Alberta oil executive, was prime minister, and turned Canada into what environmentalists called a petro-state, slashing green regulations, silencing its own climate scientists, and launching a campaign to exploit Alberta’s energy-intensive oil sands, far dirtier than conventional oil production.

Although a signatory to the 2004 Kyoto agreement, precursor to the Paris Climate Agreement, Harper’s government did nothing to implement its commitments, and in 2011 shocked the world by pulling out of the UN process altogether, with Greenpeace labelling Canada a “climate criminal”.

For liberal-minded Canadians the angst of those years was compounded by the progressive strides being taken by Barack Obama in the White House, wearing the white hat to Harper’s dark Stetson.

Canada shocked the world in 2011 by pulling out of the Kyoto agreement



Justin Trudeau has a vastly different pedigree to his predecessor as eldest son of Pierre, the flamboyant intellectual who brought in sweeping constitutional changes during his 15 years in power, and tried to model Canada on a Swedish-style social democracy.

If Al Gore didn't know who Trudeau was at the beginning of the Paris climate conference, he certainly did by the end. Trudeau grabbed attention with his fresh-faced good looks and earnest rhetoric, appearing on several panels promoting the carbon pricing schemes that Canada's provinces had been pioneering during the Stephen Harper years: British Columbia's carbon tax and Ontario and Quebec's carbon markets, which they've joined up with that of California.

Canada sent 383 delegates to Paris – more than the UK (96), the US (148), and almost as many as host-country France (396). “Canada is back, my good friends,” he told the conference. “We're here to help. To build an agreement that will do our children and our grandchildren proud.”

With the election of Donald Trump less than a year later, the role reversal was complete. In May, Bloomberg Businessweek called Trudeau “The Anti-Trump” in its cover article, while Rolling Stone featured a full-length picture of him on its August cover, asking: “Justin Trudeau – why can't he be our president?”

The question is now whether Trudeau can prove that he is more than a pretty face, and that he and his environment minister Catherine McKenna can implement their Pan Canadian Framework on Clean Growth and Climate Change when it comes online in 2018, overcoming opposition from the resource-rich prairie province of Saskatchewan, one of Canada's biggest emitters by volume, and by far its biggest per capita.

Saskatchewan's popular premier, Brad Wall, was a lone voice at premiers' meetings, insisting that the answer to cutting emissions lies in innovation rather than punitive taxes. His province has some form on this, having scored a world-first by developing a commercial-scale carbon capture and storage project on a coal power plant in 2014. Wall's surprise announcement in August that he will retire from politics is potentially good news for Trudeau – providing, of course, Wall's successor is more compliant.

But as we detail in the following pages with the Trump White House pulling in a diametrically opposite direction, and Canadians starting to turn against carbon pricing as it hits their pocketbooks, Trudeau will need all his natural charm and new-found leadership skills to pull his hugely ambitious plan off. ■



Trudeau has been embraced by the US left

The question is now whether Trudeau can prove that he is more than a pretty face



SHUTTERSTOCK INC

Can Trudeau solve Canada's carbon conundrum?

By Diana Rojas

After a decade of climate denial under Stephen Harper, Justin Trudeau's government has managed to unify Canada's disparate provinces under a world-leading single framework to price carbon. We look at the huge challenges that lie ahead

Canada is approaching go-time for an ambitious national plan to lower greenhouse gas emissions by pricing carbon. The [Pan Canadian Framework on Clean Growth and Climate Change](#) (PCF), which Justin Trudeau's Liberal Party ushered in last December, takes effect in January. At its centre-piece is a C\$10 (£6) per ton carbon tax that will attempt to lower Canada's carbon emissions 30% from its 2005 levels, its Nationally Determined Contribution under the Paris Agreement.

The PCF also seeks to phase out coal-fired power nationwide and build up clean energy, set a clean fuel standard, and cut oil and gas sector methane emissions at least by 40% by 2025.

The PCF capped off a first year in office, during which Trudeau's government put a five-year moratorium on new oil and gas drilling permits in the Arctic, in conjunction with Barack Obama's outgoing administration; approved two large hydroelectric projects; funded a transcontinental highway electric

Ontario and Quebec had already linked their cap and trade programmes with California, creating the largest system in North America



car recharging project; and announced plans to end coal-generated electricity by 2030. The latter goal that will be helped by this month's agreement to cooperate with the UK, which aims to phase out coal by 2025, signed during Theresa May's visit to Ottawa.

With the third round of Nafta (North America Free Trade Agreement) negotiations beginning this month, Trudeau has said that Canada wants climate change, GHG reductions and a shift to clean energy to be written into the deal (see [Trudeau goes head to head with Trump, page 15](#)).

Under the PCF, Canadian provinces have until the start of 2018 to develop their own carbon tax or emissions trading system – the two main types of carbon pricing – at a minimum price of \$10 per ton in 2018, rising to \$50 per ton by 2022. If provinces don't come up with their own scheme, the federal government will levy its tax.

“It [the PCF] was a massive step that had to happen here and it was a really, really important turning point for Canada to start our transition to a lower-carbon economy,” said Andrea Moffat, vice president of the Ivey Foundation, which focuses on integrating the economy and the environment. “Just putting a price [on carbon] forces the conversation. It's the recognition that carbon is an economic issue, not just environmental.”

Stephen Harper's legacy

In the decade-long era of Stephen Harper's conservative government from 2006-15, Canada pulled out of the Kyoto climate agreement, leaving the country with a patchwork of disparate climate mitigation plans at the provincial level. British Columbia, for example, established the continent's first carbon tax, now at \$30 per ton, nearly a decade ago. At the same time, Alberta started requiring large emitters (over 100,000 tons annually) to lower GHG emissions 12% every three years, giving them the option of either trading or offsetting credits, or paying into a tax fund. Earlier this year, Alberta also implemented a carbon tax on transportation and heating fuel emissions, which will cost \$30 per ton in 2018. (The mandatory PCF tax will mimic Alberta's).

On the other side of the country, Ontario and Quebec linked their existing cap and trade programmes with that of California, creating the largest system in North America. Both will price carbon at roughly \$19.40 per ton by 2020.



Canada's first ministers discussing the PCF

ADRIAN WYLD/CANADIAN PRESS

Canada's clean technology sector now ranks fourth in the world and first in the G20, according to the 2017 Global Cleantech Innovation Index



The various provincial programmes and federal pricing actions now “must ultimately coordinate, harmonise and stitch together to achieve Canada’s NDC,” said Katie Sullivan, managing director of the International Emissions Trading Association (IETA).

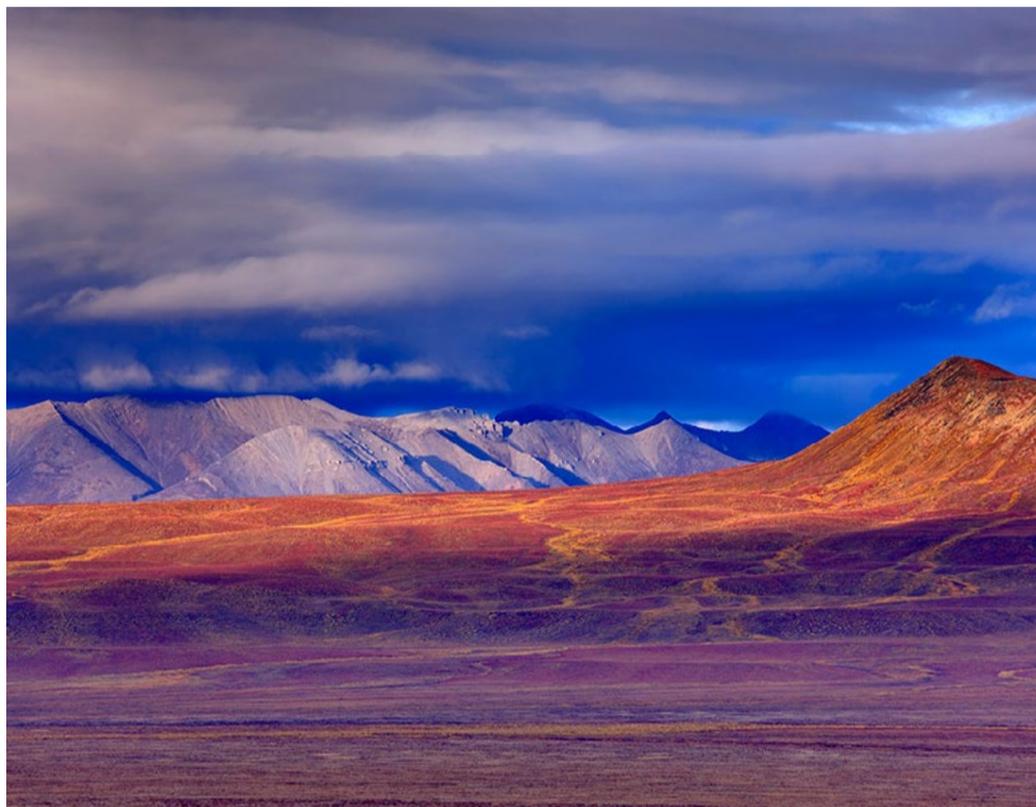
As such, carbon pricing, although the most prominent feature of the PCF, is only one part of the equation. The other three core PCF goals are a phase-out of coal, mandatory methane reduction and a national fuel standard. What the PCF has done is to force every province to develop a real plan, with a back-stop carbon price ensuring that something gets done. An IETA chart shows many of the western provinces adopting some sort of carbon levy, like BC and Alberta, and the eastern half cap and trade programmes, like Quebec and Ontario.

While Sullivan says progress on the PFC has been “remarkable”, she adds that there are many challenges ahead of “a clear coast-to-coast approach – one that ... enables business to understand compliance rules and clean investment opportunities over the long-term.”

To bring all provinces and territories into line, the PCF created a council of provincial environment ministers to model a unified climate scenario and pricing, and to work on reporting verification, so that a ton emitted in BC is the same as one verified in Newfoundland, and a national offsets programme.

The complementary measures to the federal carbon price will drive down GHG emissions reductions in ways that are “more relevant to certain provinces depending on the emissions profile”, said Moffat. She gives as an example Alberta’s methane-reduction policy, which aims to cut emissions from the oil and gas sector by 45% by 2025.

Indeed, beyond carbon taxes or cap and trade schemes, many provinces had already taken measures to lower GHG emissions before the PCF, including banning coal-fired electricity generation (Ontario, 2014), and targeting some 100,000 electric vehicles on the road in 2020 and 1 million by 2030 (Quebec). The east coast province of Nova Scotia requires utilities to reduce emissions by 55% by 2030, and mandated that 40% of provincial electricity be renewably sourced by 2020; Prince Edward Island is second only to Denmark in wind energy penetration, supplying 25% of the island’s total electricity requirements,



BERND ROEMMELT GREENPEACE

Trudeau put a five-year moratorium on new Arctic drilling

In Alberta big reductions will come from phasing out coal, and in BC it will be from clean electricity regulations and a low-carbon fuel standard



and the Muskrat Falls hydroelectric project in Newfoundland and Labrador will result in 98% of the province's electrical consumption met by renewable energy by 2020.

Clean-tech leader

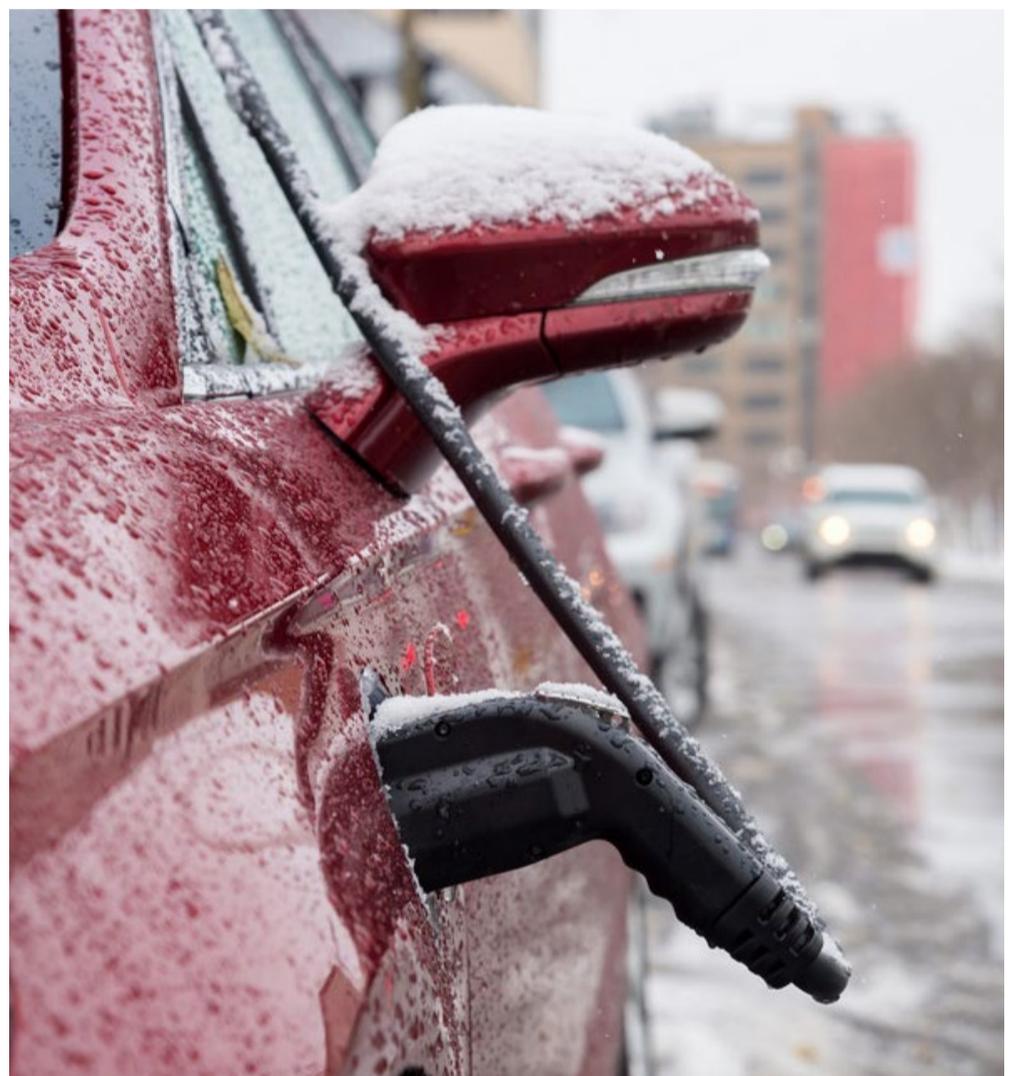
Canada's clean technology sector now ranks fourth in the world and first in the G20, according to the 2017 Global Cleantech Innovation Index (GCII). It climbed from seventh place in 2014 by tripling its amount and value of such funds, as well as the number of domestic investors in it.

A report from the Smart Prosperity Institute, a think tank based at the University of Ottawa that advances market solutions for a cleaner economy, report noted that Canadian entities in 2016 had issued some C\$32.9bn (USD\$26.9) in climate-aligned bonds (C\$2.9bn labelled as green bonds), making it the fifth largest country of issuance.

Under the PCF, some provinces will reinvest carbon pricing revenues into clean energy technology, others will use them to reduce taxes and will need "other financing options for clean innovation, green infrastructure and clean energy," said Mike Wilson, executive director of the institute.

However, the shift to clean energy does not come without a price: Nova Scotia's electricity prices have risen 62% since 2005 and are currently the highest in the country. Studies have shown that the shift to clean energy will continue to drive up costs for businesses and households alike. A report by business think-tank the Conference Board of Canada shows that if the carbon price rose to \$80 per ton by 2025, the overall economy would reduce by 1.8% and average weekly Canadian wages by 0.8%.

Saskatchewan and Manitoba refused to sign the Pan Canadian Framework, and as such won't be eligible for the \$2bn being made available to the provinces for new emissions-reducing projects under the Low Carbon Economy Fund as part of the plan – although Manitoba is planning to develop its own climate plan.



MARC BRUXELLE/SHUTTERSTOCK INC

Quebec is aiming for 1 million electric vehicles on the road by 2030

Canada's clean technology sector now ranks fourth in the world and first in the G20



Dr. Mark Jaccard, professor of sustainable energy at Vancouver’s Simon Fraser University, says regional differences over tackling climate change are to be expected.

“This is how humanity has been tackling climate change. It is unfortunately the only way we will make progress,” said Jaccard. “So to critique or even reject a national effort because of lack of a national consensus would be to deliberately make no effort.”

Polarised debate

Marketing the plan will be critical. Alarming, an Angus Reid Institute poll in May found that more than half of Canadians would prefer holding off on the carbon tax if it puts the economy at a disadvantage to the US. Only 44% of Canadians said they supported the carbon tax and a similar number, 43%, said their provincial government should fight the implementation of the carbon pricing plan. (A similar poll by the same think tank in 2015 found that

some 75% of Canadians supported a cap and trade programme, and more than half a national or provincial carbon tax.)

Moffat believes that part of the problem is in the conversation. “When you talk about a transition it doesn’t mean you go from zero to 60,” she said. “To move forward, we have to move away from the polarising discussions, and we need to get good expertise to build the policy.”

Most importantly, she noted, Canada needs to set up transparent, non-partisan structures to ensure that GHG reductions policies don’t become a political “wedge” issue, subject to change with every election. “This is still a fragile thing to have this framework,” she said.

Voices of caution

Other critics, while supporting pricing carbon and the ambition of the plan, see inherent problems in it. Dr David Layzell, director of the Canadian Energy Systems Analysis Research (CESAR) Initiative at the University of Calgary, sees the benefit in being able to use revenue from a carbon tax to invest in the transformation of anthropogenic systems, but doesn’t believe the PCF will reduce demand for energy nor shift it to alternative sources in the volumes needed to make a real difference.



BYUNGSUK KO/SHUTTERSTOCK INC

Prince Edward Island is second only to Denmark in wind energy penetration

Only 44% of Canadians support the carbon tax, worried they will be at a disadvantage with the US



To do that, Canadian society would need to demand a total shift in fossil-based transportation to, for example, electric and autonomous driving vehicles. “Energy systems don’t change by artificially cutting off supply,” he said. “Virtually all changes in energy systems in the past are a result of demand-side changes.”

Wilson thinks the PCF is an “excellent start”, but believes the country needs to “ratchet up the price on carbon” beyond the C\$50 in the PCF and invest more significantly in clean innovation.

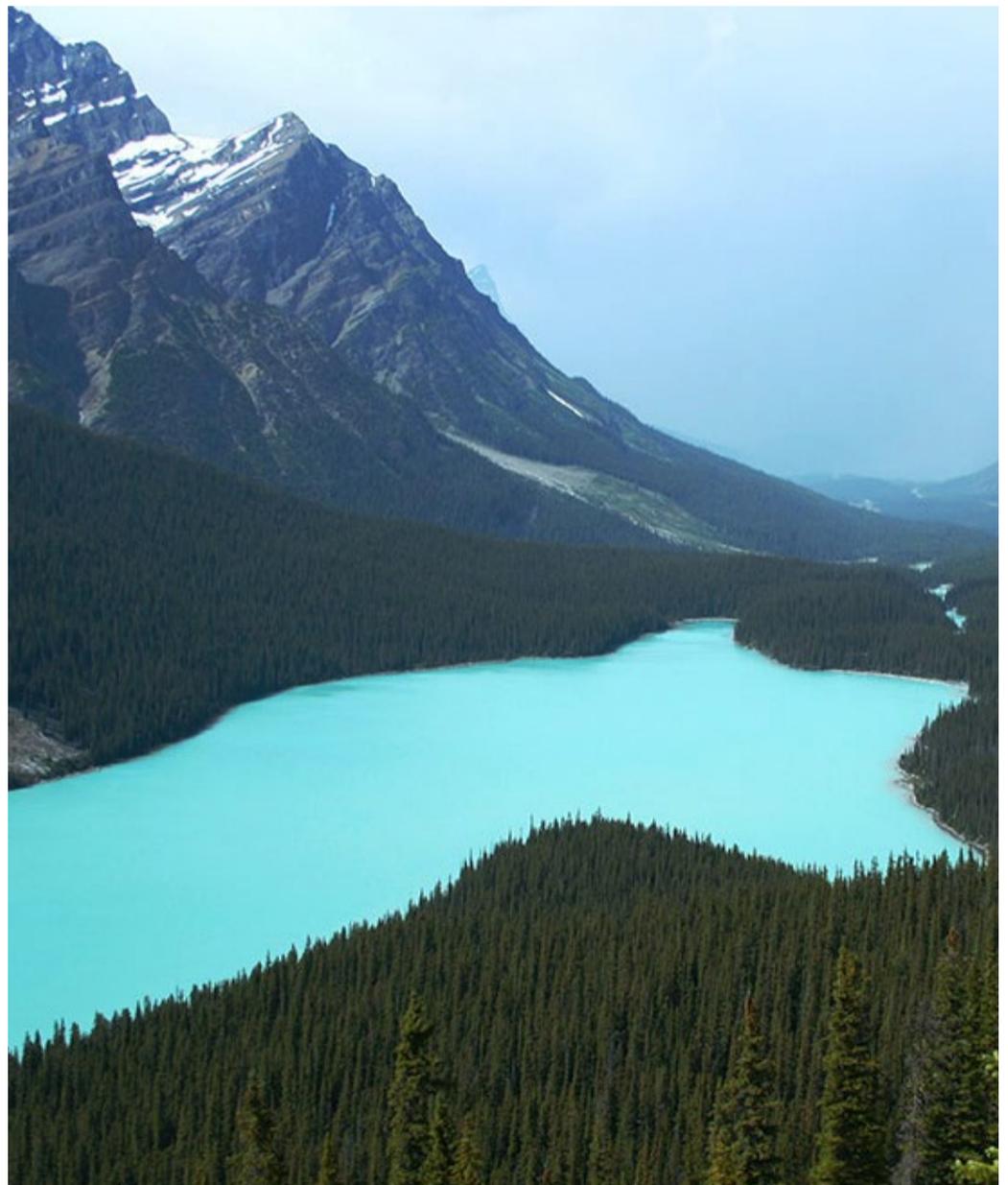
“Virtually all analysis shows if Canada is to meet 2030 and mid-century climate targets and become an environmentally sustainable economy, we need to do more,” he said.

An IETA discussion paper on Canada’s carbon pricing strongly advocates for cap and trade over a carbon levy because the former would allow for allowances, offsets and performance credits, including extra-nationally, which in turn would increase reductions.

“Canada, more than most countries ... must import lower cost reductions and think strategically about how it channels international climate finance commitments with a view to benefits [including GHG reduction imports] to meet its ambitions 2030 target,” said Sullivan, noting that the Deep Decarbonization Pathways Project (DDPP) and other analytics forecast that Canada will not be able to meet its NDC “without cooperative approaches – meaning international transfer of lower-cost abatement units”.

But arguing over whether a carbon price, or levy, is preferable to a national cap and trade scheme misses the point, said Jaccard. GHG reduction plans should consider the economic and political cost per ton reduced, plus the total reduction achieved. That way, he said, “you trade-off between political acceptability and economic efficiency, instead of being singularly focused on just one or the other.”

‘People arguing about carbon tax versus cap-and-trade are like people arguing about the optimal serving of wine on the Titanic’



JAVIER ABELLAN/SHUTTERSTOCK INC

Alberta wants to protect its wild landscapes



Most important is flexibility: for example, while Alberta and BC both have carbon taxes, in Alberta big reductions will come from phasing out coal, and in BC it will be from clean-electricity regulations and a low-carbon fuel standard.

“People who say carbon tax is better than cap-and-trade or vice versa are like people arguing about the optimal serving of wine on the Titanic. We should just get on with it,” said Jaccard, calling them equal choices. “Flexible regulations are far superior from a political acceptability perspective – and that is the most important with climate policies.”

Transport emissions

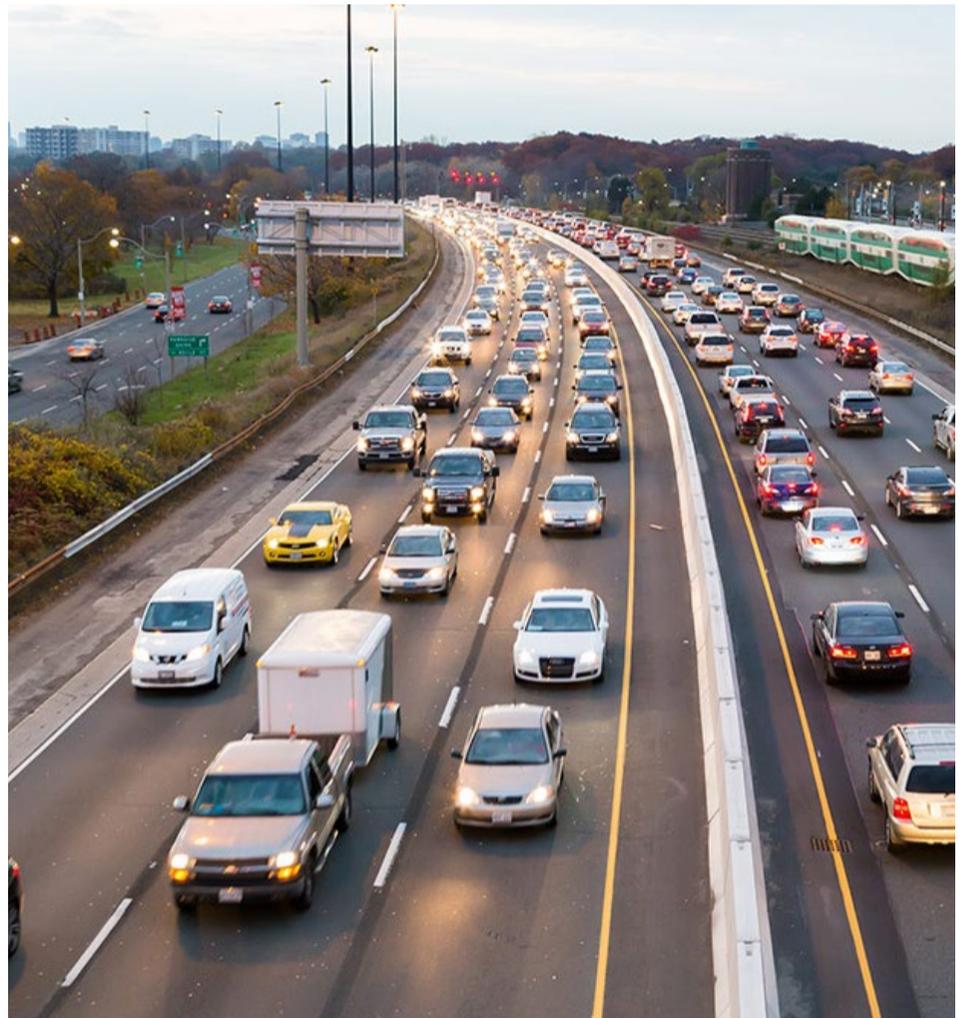
Erin Flanagan, director of the federal policy programme at the Pembina Institute, a 30-year-old clean energy advocacy group, points out that the PCF still leaves Canada with an “ambition gap” of 44 million tonnes of CO₂ that it will need to cut to meet its 2030 target – though this could be filled by extending the national carbon price another eight years from 2022 to 2030 when it is reviewed again in 2020.

The government is also being conservative in its carbon accountancy and is not including the impact of substantial recent investments in clean technology, including \$2bn announced in 2016 to establish the

Low Carbon Economy Fund, and a new clean-fuel standard and heavy-duty vehicle retrofit rules to tackle transportation emissions, the largest and fastest growing source of emissions, particularly in Ontario and Quebec.

She says transport emissions will also be driven down through the creation of a new National Trade Corridors Fund, with \$2bn in funding over the next 11 years to tackle freight bottlenecks and heavy congestion in cities like Toronto. The Pembina Institute is urging the federal government to work with Ontario and Quebec to develop [North America’s first low-carbon highway](#), between Windsor and Quebec City.

Although the failure of all provinces to back PCF is a setback, she is optimistic that the country, is now on the right track after the nadir of the Turner years. “Saskatchewan hasn’t signed on so it isn’t complete consensus,” she says. “But the PCF still represents the greatest consensus we’ve ever had on climate.” ■



MIKEPHOTO/SHUTTERSTOCK

Tackling transport emissions in cities like Toronto are a priority

Canada still has an ambition gap of 44 million tonnes of CO₂ that it will need to cut to meet its 2030 target



Trudeau goes head to head with Trump on climate in trade talks

By Diana Rojas

Faced with competition from more loosely regulated US companies, Canada is seeking to protect its green economy in talks to renegotiate the North America Free Trade Agreement

Canada has put climate change on the agenda in talks to renegotiate the North America Free Trade Agreement, despite the US government officially being in denial of climate change.

Canada wants some type of border adjustment concept allowing for the US, Mexico and Canada, the signatories to the agreement, to set a unilateral border adjustment on a sector by sector basis, so that the Canadian government could apply a targeted carbon border adjustment tax. It also wants to be able to call out particular sectors and say it's tantamount to dumping if they fail to have climate regulation costs included in the cost of production.

The governing Liberal Party also wants to include the application of a carbon price on goods coming into the country, to better level the competitive playing field for Canadian businesses. Whether that can be sacrificed in favour of other demands remains to be seen.

"The point of all that would be to say our companies are competitively disadvantaged because the US does not have a comparative climate policy as stringent as ours so we have to make our companies whole," said Cameron Prell, counsel in the energy group of Crowell and Moring's Washington, DC office.

As the US's second-largest trading partner, Canada could have some leverage in the negotiations with the idea of a border tax. But in doing so, the country would need to slap on additional duties for every country, not just the US, to be in compliance with World Trade Organisation agreements.

Singling out the US could be “dicey” said Prell, and in doing so Canada would be a guinea pig and would need to consider what political capital it would lose by insisting on a carbon price in Nafta.

“I don’t think that the PCF as a programme or initiative is going to fail because of the failure to do something like this [include language in Nafta], because there are ways of getting to this issue on an ad hoc basis that doesn’t require the US to agree with it,” said Prell. “If this were the issue that was going to be used to say that PCF [the Pan-Canadian Framework on Clean Growth and Climate Change] needs to go down, that would be, in my opinion, subterfuge.”

It wouldn’t be the first time a country has “gone it alone without their neighbours doing much”, said to Dr Mark Jaccard, professor of sustainable energy at Vancouver’s Simon Fraser University, noting the efforts of Scandinavia in the 1990s and California in the 2000s. In order to succeed under such conditions, he said, “You design the policies so that industry that is trade-exposed faces less stringent policies.”

Conservative opposition in Canada, like the United States, is okay with including environmental language in Nafta, but not with linking economics and climate change. They’ve criticised Trudeau for putting his social agenda on the negotiating table.

In a July letter to the prime minister, the Canadian Chamber of Commerce urged Trudeau to prioritise using carbon-tax revenue to protect jobs in the most at-risk sectors; not to layer extra regulations on top of the carbon pricing policies. It also asked the government to recognise past and current greenhouse gas reductions; to direct carbon revenues to R&D in clean-energy technology and to cut taxes.

“The solution is not to ignore climate change, but to proceed in a way that makes sense for Canada’s economy,” wrote Perrin Beatty, the chamber’s president. To offset rising costs for businesses, the country needs to lower costs elsewhere, ie other business taxes and labour/productivity cost increases. He later commented on Canadian businesses “losing competitive ground” to American companies, which faces lower taxes and a loosening of regulations under Trump. “If we don’t give Canadian businesses breathing room, many will suffocate,” he said. ■



Mexico, Canada and the US signed Nafta in 1992



CHRIS KOLACZAN / SHUTTERSTOCK

Can Canada clean up the oil sands?

By Terry Slavin

Justin Trudeau's approval of Keystone XL pipeline raises questions among green groups over how serious the country is about tackling its biggest source of CO₂ emissions

Justin Trudeau may be styling himself as the anti-Trump climate hero, but his government sees eye to eye with the new US administration on another key climate issue: the Keystone XL pipeline, which will transport Alberta's carbon-intensive oil sands to the US Gulf Coast, bête noir of North American green groups and some ethical investors.

Trump approved Keystone XL in March, overturning the Obama administration's decision to turn it down for climate reasons, even though the State Department noted in its decision that Keystone XL's carbon footprint may be even bigger than previously thought, at 21% dirtier than conventional US refinery mix.

The pipeline could still be blocked as the company does not have deals with all the landowners in Nebraska on the proposed route, and lacks a permit in that state. Green groups, meanwhile, are geared up to thwart the project.

"An alliance of indigenous and climate action communities stopped [Keystone XL] before, and we will do it again," Greenpeace Canada climate campaigner Mike Hudema told Canadian Press.

"Keystone XL would threaten the drinking water supply of millions of Americans, trample [First Nations] treaty rights and accelerate greenhouse gas emissions on both sides of the Canada/US border," Hudema said. "It's time for Prime Minister Trudeau to show the climate leadership he promised."

With the third-largest reserves in the world, oil and gas revenues are central to Canada's economy. Trudeau famously told an audience at a Texas energy conference earlier this year that: "No country would find 173 billion barrels of oil in the ground and leave them there."

Since taking power in 2015 his Liberal government has also given the green light to a plan to nearly triple the capacity of the Kinder Morgan Trans Mountain project, which takes oil from Alberta to ports in coastal British Columbia, with construction starting this month. It also approved replacement of the Enbridge Line 3 pipeline, doubling the amount of oil carried from the oil sands to the US Midwest.

The province of Alberta, however, has been trying to square the circle of its dependence on oil sands revenues, putting an annual 100 megatonnes (MT) limit on oil sands emissions as part of its

[climate plan](#) and appointing an Oil Sands Advisory Group to monitor compliance. This gives the industry, which emits about 70 MT of greenhouse gases per year, plenty of room to grow while encouraging it to invest in technologies to rein in emissions.

Suncor

One of the companies that worked with Alberta Premier Rachel Notley on the climate plan is Steve Williams, CEO of Canada's Suncor Energy, which supports the establishment of a province-wide carbon price and a cap on oil sands emissions. Suncor is a signatory to the Carbon Pricing Leadership Coalition.

In 2016, Suncor, which owns 8.7 billion barrels of oil sands reserves, announced an ambitious new sustainability goal: to reduce the total GHG emissions intensity of its oil and petroleum products by 30% by 2030 compared to 2014, and boost its water conservation efforts.

Suncor is a leading member of the Oil Sands Innovation Alliance, which partnered with Quebec-based GHGSat to launch a satellite into orbit last year to monitor fugitive emissions of methane from oil sands. It is also part of an academic and government consortium testing methods of capturing oil sands emissions.



AHIMSA GETHEN

Keystone XL is 21% dirtier than conventional US refinery mix



Suncor also set a 10-year sustainability goal to address its social performance, particularly its relationships with Canada's First Nations. In 2016 it signed two "historic" partnership agreements with the Fort McKay First Nation and the Mikisew Cree First Nation, making them equity partners in a new synthetic crude terminal that will receive bitumen from the giant Fort Hills oil sands mine.

However, the future of the oil sands, one of the most expensive sources of oil, is under threat. A swathe of multinational energy companies, including Shell, have sold off their oil sands assets as oil prices collapsed from \$100 per barrel a couple of years ago to \$55, depressed by the rise of cheaper and less carbon intensive shale gas in the US.

Erin Flanagan, director of federal policy at the Pembina Institute environmental thinktank, said Canada faces a "unique challenge" of having 25% of its national emissions coming from the sector. Low oil prices have meant the sector is not expanding, she said, "but when prices go up governments approve projects. The challenge for Canada is: how do we transition the sector so we aren't locking in additional emissions when we need to be doing the opposite."

But she said there has been progress: the Trudeau government is finally moving to regulate fugitive methane emissions from the sector, a major source of greenhouse gas emissions (something the Obama administration successfully brought in in 2016).

Under the Pan-Canadian Framework on Climate Change, oil and gas emissions are subject to the carbon price, and Alberta's cap on oil sands emissions, while giving room for the industry to expand, encourages it to innovate "and to see how they can be part of a positive solution". Post-2030, she added, the Pembina Institute is advocating that the ceiling should be progressively ratcheted down.

"Politicians of all stripes would agree we haven't solved [the climate issue] and need to do more as a country," she said. But the dark days of the Harper years, when ministers were at loggerheads with scientists and green groups, are long gone. "The steps we've taken are really positive and I hope the world sees that." ■



SUNCORP ENERGY

Suncor CEO Steve Williams supports the cap on emissions



TECK

Mining firms clean house in hopes of leading the green economy

By Carmen Gómez-Cotta

Teck Resources, Goldcorp and Hudbay Minerals are among the Canadian firms that are focusing on cutting their environmental impacts

Canada is in pole position to cash in on the clean energy economy, Clean Energy Canada said in a report this summer. The vast country is one of the world's biggest producers to some of the crucial minerals in renewable energy systems, including 14 of 19 needed for solar PV panel production. Chief among these is copper, also used in wind turbines and electric cars. Canada is also a major exporter of metallurgical steel, needed to build wind turbines and light-rail transport systems.

"The metals and minerals we produce are essential to build the technologies and infrastructure necessary for a low-carbon economy, to reduce greenhouse gases and adapt to the effects of climate change," says Jeff Hanman, VP of corporate affairs at Teck Resources, Canada's largest diversified mining company.

But if Canadian mining companies are going to underpin the clean economy, companies like Teck realise they are going to have to have to manage their own greenhouse gas emissions and water use, particularly in an environment where they are increasingly exposed to climate-related risk.

Digging Deep, CDP's annual report ranking 12 of the world's largest mining companies on their ability to respond to the risks of the low-carbon transition, put Teck, with US\$10.8bn in capitalisation, at number eight, down from five

If Canadian mining companies are going to underpin the clean economy, they are going to have to have to manage their own greenhouse gas emissions



last year, while the only other Canadian mining company big enough to make the list, \$6.3bn First Quantum Resources, came in number 11, down from 10 in 2016.

Teck was marked down because of its heavy investment in oil and gas assets, with production due to start at its Forts Hill oil sands project late this year (see [Can Canada clean up the oil sands, page 17](#)). It is also a big supplier of metallurgical coal for steel production. In 2016 Teck's scope 3 emissions, from downstream use of its products, at 80 million tonnes of CO₂, was 28 times greater than its Scope 1 and 2 emissions from its own operations – the biggest gap of any of the tracked companies.

However Teck was praised for sourcing 28% of energy needs from renewables and target to get to 100 MW renewable capacity by 2030.

CDP ranked Teck, which was a signatory to the Paris Pledge for Action, third on [climate leadership](#), the first Canadian resource company to join the Carbon Pricing Leadership Coalition, and for applying its own internal carbon price. According to the International Council of Mining and Metals (ICMM), Teck's steelmaking, coal and copper production are among the least carbon-intensive in the world.

Goldcorp

Another Canadian mining company that has taken up the low-carbon challenge is Vancouver-headquartered Goldcorp. Last year Goldcorp, the world's fourth-largest gold producer by output, announced that it would open the world's first fully electric underground mine in pristine wilderness at Chapleau in northern Ontario.

The mine will eliminate the use of diesel and propane fuel by using battery-operated drilling and blasting equipment, electric bolters, and in its transport, including personnel carriers and a 40 metric ton battery-powered haul truck.

“This technology is brand new; in fact, it doesn't even exist in commercial applications yet. We have asked our technology partners and suppliers [Sweden's Sandvik Mining and Canada's MacLean Engineering] to push the limits, acting as a catalyst for further developments in battery technology,” David Garofalo, the company's president and CEO, said in an interview.

Goldcorp also has a Towards Zero Water Strategy (H2Zero) to reduce fresh water consumption and eliminate slurry tailings, the mineral waste left over after metals extraction, over the next 10 years.



TECK

Teck sources 28% of its energy from renewables

Teck's steelmaking, coal and copper production are among the least carbon-intensive in the world



As the CDP report points out, 27% of mining production globally and up to US\$50bn of revenues is likely to be exposed to high levels of water stress risk.

“Water, or the lack of it, is a growing concern that limits our ability as an industry to develop and expand mines, and it is also a major issue for communities surrounding mining operations,” Garofalo said.

Garofalo said the programme would lower Goldcorp’s operating costs as it moves and manages more water than ore.

Hudbay Minerals

Hudbay Minerals, a Toronto-based mining company with business across the Americas, is innovating to reduce the water risks from its impoundments of tailings, an issue of critical importance in places with dry climates and water shortages.

It is planning to use “dry stack” tailings in its Rosemont Project in Arizona, a proposed copper mine with a throughput of up to 90,000 tons of ore per day.

Dry stack tailings, which use filters to reduce moisture in the slurry, require 50-60% less water than operations using conventional wet tailings, but this project will push the known limits of filter plant capacity, and the compacted tailings will contain less than 18% moisture when stacked.

Hudbay won’t impound water on the tailings facility, so they’ll have less chances of breach or failure, and the facility design also eliminates the chance for overtopping of process waters. “In fact, we will not discharge any water that has come into contact with process materials,” says Kathy Arnold, environmental director at Hudbay.

Green Mining Initiative

An industry-driven, government-delivered partnership approach to research and development has resulted in programmes such as the federal Green Mining Initiative, which looks at the entire mining life cycle through innovation in footprint reduction, mine-waste management, mine closure and rehabilitation, and ecosystem risk management. “This programme will transform mining, especially in the areas of processing and water treatment, and energy use. Canada is a leader in this work,” says Anne Johnson, professor at the Robert M Buchan Department of Mining at Queen’s University.

One example is in the rehabilitation of mining waste. Natural Resources Canada is using waste from other industries – such as pulp, mill waste and

‘Water, or the lack of it, is a growing concern that limits our ability as an industry to develop and expand mines’



GOLDCORP

Goldcorp will open a fully electric underground mine



municipal compost – to cover mining wastes, serving as a substrate to grow energy crops to harvest energy production.

“In the Sudbury area [Ontario’s mining heartland] where we have several field plots already established, we estimate that 1 million litres of biofuels could be produced per year from the harvesting of these energy crops,” said Janice Zinck, director of mineral and metallurgical processing at Natural Resources Canada.

The Mining Association of Canada (MAC) pioneered the Toward Sustainable Mining (TSM) initiative, a performance system that helps mining companies evaluate and manage their environmental and social responsibilities. TSM establishes site-level sustainability performance expectations that mining companies are increasingly integrating it in their operations.

Ben Chalmers, MAC’s VP of environment, said: “For the last decade, innovation advanced on a company basis, but lately we’ve seen the sector coming around together to collaborate on pioneering and innovative ideas, which has allowed the industry to move further and faster.”

Standard for Responsible Mining

Yet further acceleration is expected from later this year, when mines around the world will be able to apply for certification under the newly developed [Standard for Responsible Mining](#).

The global, assurance programme has been developed by the Initiative for Responsible Mining Assurance, a coalition of NGOs (Earthworks and the International Boreal Conservation Campaign), labour organisations (United Steelworkers and IndustriALL), indigenous community activists (the Western Shoshone Defense Project), mining companies Anglo American and ArcelorMittal, and downstream purchasers Microsoft and Tiffany & Co.

The Initiative for Responsible Mining Assurance’s coordinator, Aimee Boulanger, said the certification programme offers mines an opportunity to get recognition for their multi-commodity achievements in environmental and social responsibility, and signals to purchasers the mines that are leading in these areas.

The mining industry needs assurance that the changes asked of them will be recognised and rewarded financially, she said. “Many companies are ready to lead, but are waiting to see if complex supply chains can support recognition of practices that involve greater investment.” ■



GOLDCORP

Goldcorp’s mine will include a battery-powered haul truck

‘Canada is a leader in the areas of processing and water treatment, and energy use’



MINING JUSTICE ALLIANCE

‘Mining companies still haven’t learned lessons of Mount Polley’

By April Streeter

Canada’s response to its worst mining disaster showed the extent to which the industry has failed to take sufficient action to protect indigenous peoples’ rights, critics say

The collapse of Imperial Metals’ Mount Polley gold and copper mine in British Columbia, sending an estimated 25 million cubic metres of post-industrial mining water and waste into nearby waterways and pristine Quesnel Lake, was Canada’s worst mining disaster, and a watershed for the industry (pun intended).

In a [report this year](#), Amnesty International called it a calamity for the First Nations people it affected, and said the provincial government’s response has been inadequate: it has placed no monetary penalties on Imperial Metals; nor has there been significant change to what many agree are insufficient regulations in this key domestic industry.

Yet Mount Polley may have pushed more companies to address the issue of indigenous rights and to work together with indigenous representatives on agreements that support “responsible” mining.

“We are seeing an increasing number of companies engage First Nations in a more proactive way due to market and political pressure,” says Jacinda Mack, mining coordinator for First Nations Women Advocating Responsible Mining (FWARM), a group based in British Columbia. Mack is a member of the

‘Bottom line, both governments and companies need to get comfortable with the idea that some projects may not be able to go ahead’



Xat'sull, or Soda Creek band, which was directly affected by the disaster. "The Mining Association of Canada [MAC] has supported this idea [of responsible mining] but has no mechanisms to enforce companies to abide by it."

Canada's historic mistreatment of the 164 First Nations people who occupied the vast land before its invasion by European settlers was put in the spotlight during its 150th birthday celebrations this summer. Sparked by the pulling down of Confederate monuments in Charlottesville, there was national debate over whether to remove the name of Canada's founding prime minister, John A McDonald, from schools across the country because of his role in the 1876 Indian Act, and in setting up the residential system, which removed indigenous children from their families and placed them in residential schools, forcing them to forsake their culture.

Toward truth and reconciliation

A Truth and Reconciliation Commission inquiry in 2015 described the residential schools system, which lasted 150 years, as "cultural genocide", and made a series of recommendations for Canada to redress its relations with its First Nations people, including inadequate access to clean drinking water, underfunding of schools, education, and health care programmes, and the unresolved cases of more than 1,000 aboriginal women who went missing or were murdered in recent decades. It also strongly advised the government and companies in the extractives industries to recognise the right of Aboriginal groups to "free, prior and informed consent" (FPIC) on economic projects on their land, and drop opposition to fully adopting the UN Declaration on the Rights of Indigenous Peoples.

Trudeau's government did the latter in 2016, and this summer set out plans to fulfil the commission's other recommendations as part of a "renewed, nation-to-nation relationship with First Nations Peoples".

But as business law firm Torys said in a briefing on FPIC last year, "Canada is still beginning its reconciliation with indigenous peoples. While it is important to acknowledge that progress has been made, we cannot lose sight of the long road ahead. Similarly, the principles of free, prior and informed consent are still relatively novel, and have not been subject to substantial interpretation."

It added: "To build the necessary respect and trust that underlies reconciliation, we cannot simply proclaim it. We need to earn that respect and trust through conduct and action."



IMPERIAL METALS

Remediation of Mount Polley after Canada's worst mining disaster

'The principles of free, prior and informed consent are still relatively novel in Canada'



Jamie Kneen, communications and outreach coordinator for watchdog group Mining Watch Canada, says Mount Polley showed up how indigenous communities can be failed by governments and the mining industry. Imperial Metals, for example, has seemed to exhibit a “head in the sand” approach to ongoing community relationships since the tailings accident, limiting its interaction with affected groups.

And despite lots of official and third-party reports on Imperial’s failings at Mount Polley, the British Columbia government has taken no punitive action, Kneen says, prompting indigenous rights’ advocate (and former Soda Creek chief) Bev Sellars to file suit against the company in August, before a three-year statute of limitations on legal action ran out.

At an annual gathering of energy and mining ministers from the federal, provincial and territorial governments this summer, the talk was about how governments could help unlock the economic potential of mining while also reconciling relations with indigenous groups. MAC president Pierre Graton said in a press release that Canada’s mining industry already operates some of the “lowest-emitting, highest tech, and socially responsible mining operations globally”.

But FWARMS’ Jacinda Mack said ministers do not share not the concept of responsible mining espoused by indigenous group. The latter, she says, “respects FN [First Nations] rights and cultures; it looks at all land uses,” she says. “It is developed or rejected based on full consultation and partnership with First Nations: intergenerational health and safety must be put before profits.”

But FWARMS’ Jacinda Mack said ministers do not share not the concept of responsible mining espoused by indigenous group. The latter, she says, “respects FN [First Nations] rights and cultures; it looks at all land uses,” she says. “It is developed or rejected based on full consultation and partnership with First Nations: intergenerational health and safety must be put before profits.”

MiningWatch representative Kneen says it is important to rationally assess which mining projects make environmental and social sense for local communities and indigenous groups. “Looking at a ‘whole industry’ analysis we know that as mines get bigger and [ore] grades get lower, waste dumps get bigger, and the probability of [tailings dam] failure goes up – that’s a historic trend that we are actually seeing.”

MiningWatch has a list of guidelines for responsible mining, which include FPIC, as well as safety and environmental guidelines. But Kneen says neither the government nor corporations agree on these guidelines or have yet accepted the idea that some ore bodies just won’t make the safety/sustainability cut.

“There’s an unwillingness on the part of government and companies to spend moderate amounts of money to solve the problems up front. Bottom



Jami Kneen, Mining Watch Canada

“Our approach was if Dumont is going to be a success it has to be a success for everyone, not only the local First Nation band but all the stakeholders’



line, both governments and companies need to get comfortable with the idea that some projects may have to go,” he says.

In the Mining Association of Canada’s 2016 Toward Sustainable Mining report, it is clear that member-companies have made gradual progress with First Nation and local community outreach, as well as safety and health, and crisis-management planning. As MAC itself points out, in the early years of reporting, most companies had only informal systems to engage with communities; in 2006, for example, only about half of them had even identified the communities affected by their operation. A decade later, closer to 90% of MAC companies have put communications systems in place, and about 85% of companies also have a crisis-management plan.

Impact and benefit agreements

Alger St-Jean, vice president of exploration for RNC Minerals, headquartered in Toronto, says he thinks the mining industry has, as a whole, recognised the importance of the social acceptability of mining projects. With RNC’s Dumont Mine, an open-pit nickel mine under development in the Abitibi-Algonquin region of Quebec, RNC has worked for years to develop mutually beneficial relationships with the local Abitibi-winni First Nation. In May 2017 RNC and the Abitibiwinni signed an Impact and Benefit Agreement (IBA) that, while secret, details how the two will co-operate on environmental protection and economic development as the mine proceeds.

IBAs are becoming more common between local groups and mining corporations, and many even include revenue-sharing agreements.

St-Jean wouldn’t say whether the Abitibiwinni-RNC IBA had revenue-sharing, but he said that the company was careful over the long negotiation time-frame to really listen what was important to the Abitibiwinni.

“Our approach was: if Dumont is going to be a success it has to be a success for everyone, not only the local First Nation band but all the stakeholders,” he says. “We had a proactive community consultation programme which allowed us to identify the issues that were high value for the Abitibiwinni and other stakeholders but were low cost for us, or could be low cost if we integrated them early on in the planning process.”

RNC has shown leadership in the IBA with the Abitibiwinni; Chief David Kistabish told the press that the agreement may help with economic develop-



Jacinda Mack says community health and safety is paramount

‘While provincial and federal governments have a legal obligation to consult with First Nation bands before granting logging or mining rights on ancestral lands, companies do not have that obligation’



ment and prevent young people from fleeing to the cities. He added that the promise of jobs and mining royalties from Dumont is “hard to pass up”.

Yet other observers of these agreements say the companies frequently get the better deal. One snag is that while provincial and federal governments have a legal obligation to consult with First Nation bands before granting logging or mining rights that occur on ancestral lands, companies do not have that obligation, reducing indigenous groups’ leverage.

Lack of capacity

A second problem is capacity: First Nation groups in many cases lack the technical capacity to negotiate with companies, to monitor and enforce agreements around land use, and to oversee watershed management. Lastly, IBAs can promise local groups money that fails to arrive, having been reinvested in the companies or vanished when mines become unprofitable.

“There is a learning curve when getting into the mining game,” says FWARM’s Mack. “Weak environmental protection laws, weak indigenous protection laws, and a legislated context that [believes] mining is the highest use of the land, makes for complex situations with [IBAs] and communities.”

One way to change the equation is to get indigenous communities directly involved in mineral-extraction development, combined with renewable energy development or carbon-credit creation, as the BC First Nations Energy & Mining Council is endeavouring to do.

And for companies that are ready to see collaboration and consultation with indigenous First Nation groups as a priority, the Initiative for Responsible Mining Assurance plans to launch later this year a certification process to recognise environmental and social responsibility achievements and progress companies are making. (See [Mining firms clean house in hopes of leading the green economy, page 20](#)).

St-Jean of RNC Minerals says the greatest key to a successful ongoing relationship with affected indigenous communities is ensure they have a sense of ownership around mining projects. “Integrating them, making sure that they are not left out or forgotten, as they often have been, is important.” ■



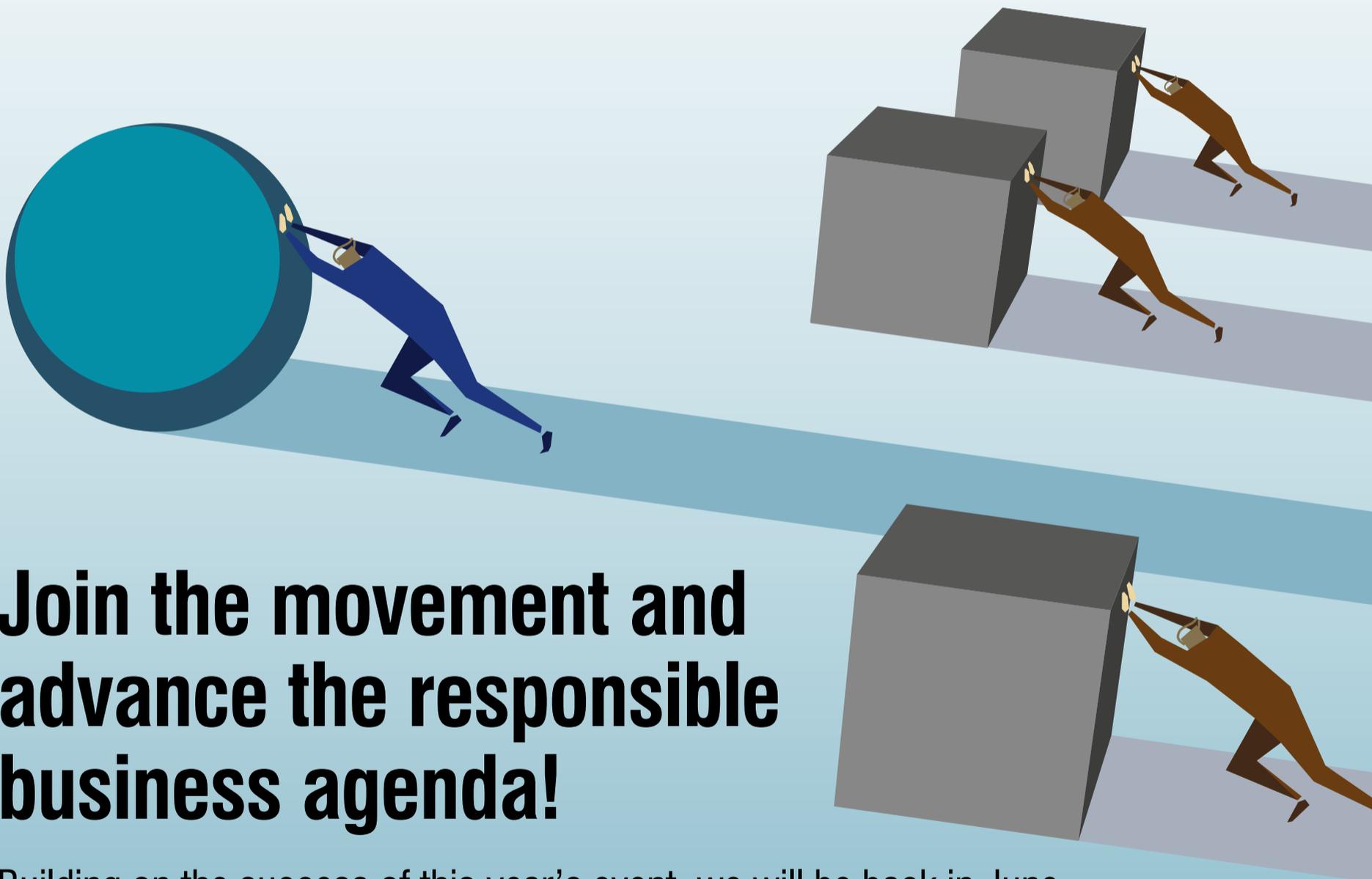
An Inuit community at Clyde River in Nunavut

GREENPEACE

One way to change the equation is to get indigenous communities directly involved in mineral-extraction developments, combined with renewable-energy projects

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SHUTTERSTOCK INC.

Crunch time for Fairtrade

By Mike Scott

As brands and retailers begin to abandon the 25-year-old ethical trading scheme we look at what went wrong, and whether alternative in-house projects will be a worse or better deal for farmers and the planet

This summer's row over Sainsbury's pulling out of Fairtrade for tea (see [Sainsbury's provokes storm in Fairtrade teacup, page 37](#)), and last year's decision by confectionery giant Mondelez to pull the Fairtrade mark off its brands, have put the ethical trading sector and some of the world's biggest brands under the spotlight.

Writing in *The Grocer*, journalist and author Joanna Blythman summed up the view of many when she said: "Consumer trust is hard-earned and easily lost. If corporates want us to believe that they are indeed ethical concerns, then cherry-picking rent-a-cert bodies to aid and abet the lie that Fairtrade-lite can deliver social justice and equity for farmers and grocers won't do the trick.

"Any fool can see the downward spiral. First you ditch Fairtrade for a weaker, vaguer lookalike, next you ditch that unconvincing option for a self-serving 'take our word for it' in-house equivalent."

Nigel Sizer, president of the Rainforest Alliance, which is merging with Netherlands certification scheme UTZ later this year, says that the cost of certification schemes is a concern for companies and "may be driving a lot of those corporate decisions to develop their own schemes."

However, in interviews with Ethical Corporation, big brands including Mars and Mondelez denied that they were trying to cut costs. They expressed fears

'Certification schemes set a baseline. But for all our substantial suppliers, we engage with them beyond Fairtrade'



about the resilience of their supply chains, and said this has changed the nature of what they need from certification bodies such as Fairtrade.

So what is Fairtrade?

Fairtrade looks to lift the incomes of farmers and workers in developing countries by setting social, economic and environmental standards for both the companies buying products and the farmers and workers who grow the food. For farmers and workers, the standards include protection of workers' rights and the environment; for companies they include the payment of the Fairtrade minimum price and an additional Fairtrade premium to invest in business or community projects of the community's choice.

The Fairtrade Foundation certifies products ranging from tea, coffee and bananas, to flowers and gold, to check that the standards have been met, and licenses the use of the Fair-

trade mark on products and packaging to signal this. Revenue from Fairtrade products rose 2% to £1.64bn in the UK in 2016, the first time that sales had risen since 2013.

Fairtrade, says the foundation, offers "better prices, decent working conditions and a fair deal for farmers and workers" in some of the world's poorest countries.

Other ethical trading certification systems include UTZ and the Rainforest Alliance, which recently announced they are to merge. Unlike Fairtrade, the Rainforest Alliance offers no premium, while UTZ focuses on raising farmers' incomes by showing them how to grow better-quality crops. UTZ and Rainforest also concentrate on larger producers, while Fairtrade focuses on smallholders. Another big difference is that UTZ employs independent certifiers, while Fairtrade has its own central certifying organisation.

There is also the GlobalGAP scheme, which covers not just crops but also livestock and aquaculture, covering more than 530 certified products and over 170,000 certified producers in more than 120 countries, with a focus on food safety and good agricultural practices.



HANNAH THIESEN

Low wages in the tea supply chain are a challenge to Fairtrade

'Wages are extremely low in places like Malawi and Assam and that's quite a challenge to Fairtrade and the other certifiers'



When Fairtrade started in 1992 it was the only scheme of its kind. “Now there are something like 400 sustainability labels in the market,” says Brian Durkee, chief operating officer at Numi Organic Tea.

However, Fairtrade is seen to have the highest standards and it is the scheme that has the highest level of recognition. It is also the most expensive, for buyers and farmers. Yet the social premium it pays does not go far when it is shared out between thousands of co-operative members. In addition, the minimum price that was set when Fairtrade was established, at a time of plummeting commodities prices, has not been called into use for a long time because of the increase in market prices.

Even its supporters say that Fairtrade needs to move with the times. “Although we are big supporters of Fairtrade, there are improvements to be made,” says Durkee.

One key problem for Fairtrade is that it is not clear that the scheme improves outcomes for farmers and workers. A study from 3IE (the International Initiative for Impact Evaluation) found that certification schemes lift producer prices and agricultural incomes, but have less of a positive impact on wages, household incomes and assets.

“There is no guarantee that living standards improve through certification for farmers and workers,” the report says, in part because “some of these conditions depend on deep-rooted socio-economic factors that are unlikely to be substantially altered by certification”.

Furthermore, it is not clear that companies are benefiting either. In a recent PR Week article, Alfonso Gonzalez, chief marketing officer of Nespresso, which has its own AAA Sustainable Quality programme scheme, said: “The reality is that the in-depth knowledge of what that certification stands for is not widely known. For those consumers that value that, we don’t have evidence that these labels drive a different type of value or consumption.”

Accreditation bodies have an important role to play in helping suppliers to operate in an environmentally friendly and ethical manner, says Adil Hamid, marketing controller for Typhoo Tea. Typhoo recently signed up to the Ethical Tea Partnership, which helps producers to reach the standards of the main certification schemes.



MONDELEZ

Jonathan Horrell, Mondelez

‘The Fairtrade premium makes a big difference to smallholders, and some difference to workers and it’s the best scheme we have right now, but there is a need for it to become even more effective’

However, while these schemes are a good foundational standard, Barry Parkin, chief sustainability officer at Mars, says: “They are not getting farmers to sustainable income levels so we need a much deeper, more intensive intervention ... that allows them to go on a journey to become professional farmers.”

Certification schemes don't guarantee a lot, says Durkee of Numi Organic Tea. “They set a baseline. But for all our substantial suppliers, we engage with them beyond Fairtrade.”

Tim Aldred, head of policy at the Fairtrade Foundation, agrees that “certification gives you a decent baseline but if you have an acute problem, for example low wages, certification alone is not enough. The power relationship between buyer and seller can be very unequal. But we do know that under Fairtrade, incomes go up.”

Rachel Wilshaw is ethical trade manager at Oxfam, one of several charities that helped establish the mark. She says the Fairtrade movement is in a healthy state, but she acknowledges that there are income issues, not just for smallholders but for workers on, for example, tea plantations. “Wages are extremely low in places like Malawi and Assam and that's quite a challenge for Fairtrade and the other certifiers. If there is no collective bargaining, the owners set the wages. Often, only some of the tea the plantation grows will be sold on Fairtrade terms, but more could be delivered if all of the tea had buyers ready to trade on Fairtrade terms.

“The premium makes a big difference to smallholders, and some difference to workers and it's the best scheme we have right now, but there is a need for it to become even more effective. We need to make sure there is a business model that really delivers for smallholders, workers and consumers alike.”

On average, says 3IE, “schemes such as GlobalGAP and UTZ do better in combining effective capacity-building with access to remunerative markets. For Fairtrade, higher prices are not always high enough to compensate for low yields. Some evidence suggests that demand constraints for certified products are key barriers to increasing market income.”

Increasing farmer incomes is crucial not just for the farmers but also for the giant companies that are their customers. “The smallholder agricultural model



PHILLIP PRENDEVILLE/KARMA COLA

‘Schemes such as GlobalGAP and UTZ do better than Fairtrade in combining effective capacity-building with access to remunerative markets’

has income challenges,” says Parkin. “The 500 million smallholders around the world are the poorest people in the world. The average wage is half what is considered poverty.”

Mondelez

For the large brands and retailers, securing sustainable supplies of commodities at scale is a real business issue. “Mainstreaming is extremely important,” says Jonathan Horrell, global director of sustainability at Mondelez International. “If you’re really concerned about sustainability you should be concerned about improving the sustainability of farming systems across the world. I don’t think ethical or sustainability should be small or niche.”

Mondelez, which has developed its own Cocoa Life programme with the involvement of Fairtrade, says that improving conditions for farmers is about securing future supplies of a key commodity. “We developed Cocoa Life as an investment in the cocoa supply chain. Without the next generation of farmers, there will be no cocoa and without cocoa there is no chocolate,” he says.

The problem is that it is not clear that Fairtrade has the same scale of ambition as the buyers of its certified products. “When the Fairtrade model was developed, no one really envisaged that the supermarkets would become big own brand Fairtrade suppliers,” says Professor Stephanie Barrientos, of the University of Manchester’s Global Development Institute. “There has been a tension in the movement over whether it should be certifying own-brand products sold by large retailers.”

Durkee of Numi Organics, who was a member of Fairtrade International’s product advisory council a few years ago, says the organisation “is fairly rigid in its ways. Their behaviour makes people think that they don’t want to grow.”

The tension between expansion of sustainable supplies and remaining true to its origins is at the heart of the choice facing Fairtrade, says Barrientos. As



MONDELEZ

Cocoa Life is focused on engaging women in the cocoa supply chain

‘If farmers are not being successful growing the crops that companies need they will do something else’



MONDELEZ

Establishing schools for growers' children is part of the Cocoa Life programme

some of the world's largest brands seek to grow the amount of sustainably sourced agricultural commodities, should it return to its core values and be a niche movement or seek to sit in the mainstream?

Companies clearly feel that more needs to be done. Mars, for example, has recently launched the Farmer Income Lab, a partnership with Oxfam to tackle poverty in FMCG supply chains. Parkin of Mars says this was driven partly by the realisation that if farmers are not being successful growing the crops that companies need they will do something else. "Obviously there is a strong moral need but also a strong business imperative. It is essential we tackle farmer income."

Fairtrade 'at a turning point'

"The movement is at a bit of a turning point," Barrientos adds. "If it wants to sit in the mainstream with high-volume retailers, it will need to explore deals like the one it has with Mondelez."

The creation of Cocoa Life changed Mondelez's relationship with Fairtrade, Horrell says, "but it's very much a continuing relationship ... We moved from being a buyer to being a partner. We are investing directly in our supply chain, with people on the spot working to implement programmes. We have a level of understanding and partnership with our suppliers that changes the relationship."

He adds: "If you are a buyer in a traditional raw material supply chain, you buy from people who buy from other people. You have to rely on verification schemes to ensure good practice on the ground – and that is ground that you

'The Fairtrade movement is at a bit of a turning point. If it wants to sit in the mainstream with high-volume retailers, it will need to look at more deals like the one it has with Mondelez'



don't see. Now we are literally on the ground, mapping farms and the like so we have visibility of supply and the original role of Fairtrade as a third-party certifier becomes less relevant."

Fairtrade is still involved, however, "because they have a lot of expertise, a lot of understanding of the issues and the ability to challenge us on issues such as sustainability and poverty. That perspective is still very important to us."

The organisation's continuing work with Mondelez will take three forms, Horrell says. "It will verify the terms of trade, agreeing volumes and premiums upfront. It will work on helping communities to build resilience to climate change and it will identify areas where we can co-operate."

It is partnerships such as this that are likely to define the future of Fairtrade. "We are responding to the fact that companies have better ethical capacity than they did in the past, which means that what we provide has to evolve. There are lots of different areas where we want to improve," says Aldred of Oxfam. "The ability to trace products from the field to the consumer is an area where technology can help and it's something we are making available to retailers."

"Social conditions, wages and incomes remain astonishingly low in many products but it can be very hard to make progress because it costs money. You can't have sustainability and ethics for free. We need to find ways to get the right kind of investment to build more resilience for both growers and customers. Let's have 'Certification 2.0', [which] is doing what people need."

Simon Coley, co-founder of Karma Cola, a small, ethical soft drink brand, says that Fairtrade has been "incredibly supportive of what we do, but there is room to evolve the model. It's been around for quite a while. If it requires refreshing, then now is the time to do it."

Horrell of Mondelez, however, thinks the time may have come for the big brands to move on. "We are increasingly seeing companies asking how they can move from having a proportion of their supplies certified to something where they can make agricultural supply chains as a whole more resilient and more sustainable," Horrell says. "There will be an evolution from compliance-based systems to ones with a stronger focus on impact." ■



MONDELEZ

Poverty is a big problem in the cocoa supply chain

'It can be hard to make progress because it costs money. You can't have sustainability and ethics for free'



TRAIDCRAFT

Sainsbury's sets off storm in Fairtrade's teacup

By Mike Scott

The move by the world's largest Fairtrade retailer to set up its own Fairly Traded label for tea has divided retailers and been condemned by MPs, NGOs and tea producers

An almighty row has broken out in the small retailing niche of Fairtrade, which has prompted public outcry, led to questions in Parliament, and pitted one of the UK's biggest supermarkets against the body that administers the Fairtrade certification scheme.

In May, Sainsbury's, the world's biggest Fairtrade retailer, announced that it would start selling its own-brand tea under a new "Fairly Traded" label, rather than under the label of the Fairtrade Foundation.

Many tea plantations are located in Sub-Saharan Africa and South Asia, where poverty remains endemic. They also face challenges related to climate change as well as worker shortages due to urban migration. Elsewhere, population growth is creating pressure on the livelihoods of tea smallholder farmers working already small plots of lands, says the Ethical Tea Partnership, which works with tea producers and smallholder farmers in its members' supply chains to help them meet internationally recognised social and environmental standards. The industry is becoming increasingly concerned about how these issues will affect their supplies, as reflected by the fact that the ETP has welcomed some of the world's highest-profile buyers – Typhoo, Fortnum and

'Fairtrade producers in Africa accuse Sainsbury's of acting in a way that is reminiscent of colonial rule'



Mason, and Unilever – as members this year.

Sainsbury's says its pilot aims to build on the Fairtrade model, "providing a guarantee that tea farmers will continue to receive all the funding currently in place, or more, including the minimum price guarantee and social premium to match Fairtrade levels – and crucially, additional benefits, including longer-term commercial relationships and individually tailored advice, data and specialist support on the ground," the company said.

"The pilot will be underpinned by the highest and broadest set of sustainability standards, which go further than existing certifications to provide farmers with advanced information across social, economic and environmental aspects of their business."

But the decision immediately brought condemnation – not just from the Fairtrade Foundation, which was set up in 1992 by NGOs including CAFOD, Christian Aid, Oxfam, Traidcraft, Global Justice Now, and the National Federation of Women's Institutes, but also politicians and consumers.

Sainsbury's reminiscent of 'colonial rule'

"The most significant issue is around the handling of the Fairtrade premium money," says Tim Aldred, head of policy at the Fairtrade Foundation. "Our producers' view was that this was very important money for them and they don't want to lose control of that." Under the supermarket's scheme, the premium will be managed by the Sainsbury's Foundation, which says it will use the money to create action plans to tackle issues such as climate change.

"We are taking the Fairtrade model of a minimum price and a premium to a much more strategic level of benefit to the farmers, in terms of dealing with issues such as environmental impacts and climate change," says David Nieberg, head of media relations at Sainsbury's.

However, in an open letter to Sainsbury's, Fairtrade producers in Africa accused the company of seeking to disempower them in a way that was "reminiscent of colonial rule".



SAINSBURY'S

Sainsbury's says its Fairly Traded pilot will build on the Fairtrade model

Waitrose and the Co-op both reiterated their commitment to Fairtrade, but Sainsbury's is unapologetic



ETHICAL TEA PARTNERSHIP

Fairtrade producers in Africa likened Sainsbury's actions to a "colonial rule"

"Whilst we are open to new ways of working and forging closer relationships with customers, including Sainsbury's, certain aspects of Sainsbury's proposal, such as the proposed ring-fencing of the Fairtrade Premium, are unacceptable. As producers, we are very aware that when consumers choose Fairtrade purchases, they expect the benefits to go directly to producers," the letter added.

The growers said another sticking point was the need for producers to apply to an advisory board based in London.

Meanwhile, at least three petitions began circulating on the internet, calling on Sainsbury's to reverse its decision, with the largest having gathered more than 98,000 signatures. In Parliament more than 40 MPs signed a cross-party Parliamentary motion condemning Sainsbury's move and calling on other supermarkets to "remain with and strengthen their commitment to Fairtrade certification".

Fairtrade 'misleading'

Waitrose and the Co-op both reiterated their commitment to Fairtrade, but Sainsbury's is unapologetic about its move. "Fairtrade is 25 years old. The world has moved on but Fairtrade is not moving with the times. It is not

'Fairtrade is 25 years old. The world has moved on but Fairtrade is not moving with the times. It is not bringing as much benefit to farmers as it could'

bringing as much benefit to farmers as it could,” says Nieberg. “After 25 years of Fairtrade, still 10% of children are malnourished. As a concept, we are fully behind fair trade and ethical sourcing. Our aims are exactly the same but we don’t agree on the way to do it.”

Of the farmers who wrote the open letter, he says: “These farmers are not part of the pilot. Those who are involved have been hugely empowered.”

The Fairtrade Foundation has been “slightly misleading”, he adds. “To say that Sainsbury’s decides what happens to the premium – that’s just wrong. We have put additional safeguards in to ensure that the payments get to those they are meant to. It’s going to be independently audited and totally transparent.”

Nieberg adds: “The one organisation that does lose out is the Fairtrade Foundation itself. They have been highly critical of this pilot without waiting to see if it delivers success.”

Aldred counters that “we don’t feel that we have had meaningful comment from Sainsbury’s on this. We are worried that the ‘Fairly Traded’ label will confuse the customer and we would be happier if there was more transparency about the difference between the schemes.”

It will be hard to assess the success of the pilot scheme because producers are likely to be selling Fairtrade products to other buyers so it will be difficult to differentiate the impacts of Fairtrade membership and the Sainsbury’s initiative, Aldred adds.

Simon Coley, co-founder of ethical soft drinks brand Karma Cola, says that while it is important to acknowledge the work done by supermarkets such as Sainsbury’s to create the idea of ethical products, “Fairtrade became well known because the supermarkets adopted it so that the concept would not be confusing for customers. If you have lots of different schemes you make it difficult for consumers.” ■



NUMI TEA

Numi Tea’s Fairtrade project in Madagascar

‘Fairtrade became well-known because the supermarkets adopted it. If you have lots of different schemes you will confuse consumers’

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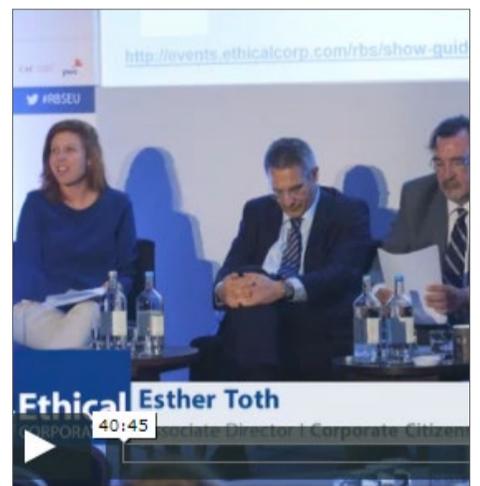
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