

Conference Paper

Reform in Paradise: threat or opportunity? Auckland, 8-9 June 2009

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Introduction

New Zealand is embarking on a fascinating period of reviewing some of its institutional structures for environmental decision-making, including the setting up of an EPA. We are really pleased to have the opportunity to contribute to the conference some observations from Victoria's experience and we found the conference discussions to be engaging and very thought-provoking. We returned to Melbourne with some new thoughts and insights that will help EPA Victoria with its own future thinking.

Following the conference, we have written our paper with a structure based on some of the key themes mentioned by Daniel Fiorino in his opening speech. We believe that EPA Victoria is already modelling a number of traits that Daniel Fiorino identified as necessary to achieve the 'New Environmental Regulation'. In particular, EPA Victoria has worked hard over recent years to ensure that better environmental outcomes are achieved by:

- Better enabling Victoria to 'creep towards sustainability' (or maybe even 'walk' or 'run' towards sustainability!);
- Building strong relationships with business by 'collaborating within strict goals'; and
- Setting 'new directions for governance' to enable the shift from zero sums to goal synergies.

These themes are explored in more detail below. While we recognise that some elements of EPA Victoria's model are very different to that proposed for the New Zealand EPA, we hope that the following discussion is useful in providing examples of how the Victorian EPA is responding to the changing needs of the Victorian environment and adopting new approaches to environment protection and regulation.

Creeping towards sustainability

EPA Victoria was established in 1970, making it the second oldest EPA in the world. Throughout our 39 year history, our business has focussed largely on regulating industry to clean up point source emissions, particularly relating to air and water quality.

In the past few years, however, EPA Victoria has recognised that point source emissions are no longer Victoria's most serious environmental problem; to a large degree these problems have been cleaned up. For example, Melbourne's air quality has improved dramatically, and gross localised pollution events are one-offs rather than the norm.

The environmental challenges faced by Victorians are now very different, and particularly relate to climate change, the need to improve resource efficiency and reduce our State's ecological footprint. For example, a 2004 ecological footprint study revealed that if everyone in the world lived as Victorians live, we would need four planets to sustain the global population.

In order to respond to these new challenges, EPA Victoria has restructured its business to align our strategic objectives with the needs of the Victorian environment; the priorities of tackling climate change and improving resource efficiency have been added alongside our traditional priority of emissions control. We realise, however, that to effectively manage these two major issues, we also need to:

- Find even more effective and efficient ways of maintaining control of point source emissions;
- Continue to improve our reputation to ensure that the community, government and industry continue to provide us with the opportunity and support to tackle the most pressing issues; and
- Consistently align environmental improvements with economic benefits to ensure that what's best for the environment is also what's best for industry, driving quicker and larger environmental gains.

Our five strategic objectives now underpin every decision made with respect to the services that we provide to Victorian businesses and communities. For example, this new focus has encouraged EPA Victoria to streamline our services relating to emissions control, in particular licences and works approvals, and to reduce red tape to enable both EPA and business to have more time and resources to focus on the most pressing issues of resource efficiency and climate change.

A major achievement within this reform process has been the development of corporate licences, which allow businesses that hold more than one EPA licence to voluntarily request an amalgamation of their licences. Corporate licensing is a world first initiative that is benefiting business, the economy and the environment by:

- Cutting the number of EPA licences by up to 30 per cent;
- Saving Victorian businesses at least \$15 million per annum;
- Enabling companies to focus their innovation and creativity on environmental improvements that deliver the greatest financial and environmental returns;
- Enabling companies to work in partnership with each other and EPA to deliver solutions for Victoria's major environmental threats of climate change and water scarcity; and
- Enabling companies to reduce energy use, water use and waste generation.

Corporate licensing

Enabled Goulburn Valley Water Authority to amalgamate 27 EPA licences into one.

"I love this licence: I understand my compliance requirements and it lets me get on with sustainability."

Laurie Gleeson, CEO GVW

Collaborate within strict goals

EPA Victoria has for a number of years been changing the way we interact with industry. Wherever possible, we have developed relationships with businesses that are collaborative, rather than adversarial or confrontational. In turn, this is enabling us to be more focussed and tougher on those 'residual' businesses which set out to breach their environmental obligations.

EPA Victoria's statutory tools such as sustainability covenants (introduced into the *Environment Protection Act 1970* in 2002), Environment and Resource Efficiency Plans (EREP) and corporate licences (introduced in 2006) have provided businesses with the flexibility to achieve sustainability goals in a way which meets their particular economic and operational needs. Importantly, however, these programs and services are underpinned with powerful regulatory mechanisms which enable us to maintain the strict environmental standards and monitoring that are expected by the Victorian community.

For example, under the EREP program, commercial and industrial sites that use more than 100 TJ of energy and/or 120 ML of water per year need to prepare and implement plans that identify actions for their business to reduce energy and water use, and waste generation. While EREP businesses have the flexibility to decide which actions will be most effective and efficient within the context of their operations, there are regulatory requirements in place to ensure that they then implement those identified actions that pay for themselves within three years.

EREP builds on EPA Victoria's successful Industry Greenhouse Program, which, by the end of 2007, had delivered annual greenhouse gas cuts of 1.23 million tonnes of carbon dioxide equivalents and savings to business of \$38.2 million each year. The average payback period for these efficiency actions was 20 months.

Corporate licensing

"It's very enlightening compared with the old adversarial ways of giving everyone a regular belting...and issuing fines."

Laurie Gleeson, CEO GVW

"The EPA is taking licensing in a new direction, cutting red tape for industry while maintaining the existing level of strict environmental standards and monitoring."

The Hon Gavin Jennings,
Minister for Environment and
Climate Change

Industry Greenhouse Program

"The results of the energy audit were amazing. The energy savings from implementing the Action Plan will help ensure Riverside Meat's long-term survival in a competitive market"

Bruce Peat, Managing Director
of Riverside Meats

New directions for governance

In the past few years, there has been a major shift at EPA Victoria from bureaucratic control to one based on learning. We have worked hard to learn about the businesses that we regulate, enabling us to work in partnership with them to identify more efficient and effective practices that achieve environmental improvements, and save the business significant amounts of money.

Programs developed by EPA Victoria which encourage the development of partnerships, such as the Carbon Innovators Network, Environment and Resource Efficiency Plans and Grow Me The Money, are enabling businesses to understand that our preference is not to regulate in the traditional command-and-control style, and will only do so where business makes this necessary through non-compliance.

As noted in the Australian Business Review Weekly in 2008, EPA Victoria's 'relationship with business is comfortable enough for companies to talk openly to the EPA about regulatory impacts that are not useful to either of us', such as administrative or compliance costs. Such discussions have led to the introduction of substantial red tape reductions and the development of programs which provide business with the information and innovation they need to reform their operations and succeed in the new 'Green Economy'.

These programs also have enabled business to develop their own networks within related industries, with the support of EPA, to share their experiences and develop even more innovative approaches that are both environmentally and commercially sustainable. Businesses are now not only identifying investments across their own business, but are developing offset-based approaches in partnership with EPA across their customer and supply chains to achieve the same or better environmental outcome at highest economic return.

EPA Victoria
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EREP

"The Environment Protection Authority will be equipped to ensure Victoria becomes one of the first places in the world where the environment routinely becomes a business opportunity rather than a business cost"

Second reading speech for the 2006 amendment to the *Environment Protection Act 1970*