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Status Report
of the Commissioner of
the Environment and
Sustainable Development
to the House of Commons

MARCH

**Management Tools
and Government Commitments**

Chapter 10
Greening of Government Operations



Office of the Auditor General of Canada

The March 2008 Status Report of the Commissioner of the Environment and Sustainable Development comprises The Commissioner's Perspective—2008, Main Points—Chapters 1 to 14, Appendices, and 14 chapters. The main table of contents for the Report is found at the end of this publication.

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Chapter

10

Greening of Government Operations

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Management Tools and Government Commitments

Greening of Government Operations

Main Points

What we examined

In its document *A Guide to Green Government*, published in 1995, the federal government provided guidance to departments preparing their first sustainable development strategies as they began to green their operations, policies, and programs. The Guide also incorporated the then recently developed Greening of Government Operations initiative.

We have since audited various aspects of the effort to green government operations and have found little progress to report. Most recently, in our 2005 chapter on green procurement, we said that central guidance and direction to departments on green procurement was inadequate, that Public Works and Government Services Canada had underused its potential to advance green procurement through standing offers used in purchasing, and that sustainable development strategies were not being used effectively as a tool to increase green procurement. We have also previously reported on the extent of government-wide guidance for departments preparing sustainable development strategies, such as in our 2005 chapter on sustainable development strategies, which described efforts to provide government-wide guidance including greening government operations.

Given this past work, for this status report we examined the progress made by the government in providing greening government operations guidance to departments preparing sustainable development strategies as well as the progress made by Public Works and Government Services Canada in greening commodity management.

Why it's important

As one of Canada's largest employers, purchasers, and landowners, the federal government has committed itself to being a leader in promoting environmental and sustainable development practices in Canada. It can significantly reduce the environmental impact of its operations by purchasing goods that are energy-efficient, or that are produced without using or releasing toxic substances, or that can be recycled. Its spending on green products and services can also stimulate innovation and increase their availability. Recently, as part of the latest round of sustainable development strategies, the government identified its

vehicle fleets, green procurement, and energy use in buildings as its three priority areas for greening operations.

What we found

- The government's progress toward providing departments preparing sustainable development strategies with guidance on greening their operations is unsatisfactory. The government-wide targets it produced for departments to use in preparing their strategies were non-specific, reiterated previous objectives, or were open to interpretation, and departments were not required to use them. As a result, departments did not incorporate the targets consistently in their strategies and the government is therefore not in a position to know what progress it is making in greening its operations.
- The government has placed a lot of emphasis on its new commodity management approach to procurement. Given the time elapsed since this new approach was put in place, we found that Public Works and Government Services Canada is making satisfactory progress in greening the commodities we examined, with the exception of its slow progress in developing the integrated comprehensive commodity management plans required by its Commodity Management Framework. In the absence of such integrated comprehensive plans, the Department cannot demonstrate whether it is achieving the optimal balance between greening and the other factors that must be considered in procurement, such as fairness to suppliers and cost savings.

Public Works and Government Services Canada (PWGSC) has responded. PWGSC has agreed with our recommendations and is taking action to address the concerns raised in the chapter. Its detailed response follows each recommendation throughout the chapter.

Introduction

10.1 The federal government describes itself as Canada's largest property owner, employer, and purchaser of goods and services. It manages some 45,000 buildings, operates more than 26,000 vehicles, and annually purchases close to \$20 billion in goods and services. The size of its operations means that by "greening" them—practising environmentally sound management—the government could become a leader in this field.

10.2 Since the introduction of its Green Plan in 1990, the federal government has undertaken numerous initiatives and activities related to the greening of government operations (Exhibit 10.1). When launching several of these initiatives, the government stated its commitment to being an environmental leader and promoting sustainable development practices. For example:

- In its 1992 *Code of Environmental Stewardship*, the government committed to meet or exceed the letter and spirit of federal environmental laws.
- The government stated in its 1995 *A Guide to Green Government* that it wanted to play a leadership role in turning sustainable development thinking into action.
- The 1999 Sustainable Development in Government Operations initiative outlined how the government was striving to meet its commitment to leadership in environmental responsibility in its own operations.

10.3 The government's concept of greening government operations includes a wide range of activities, such as

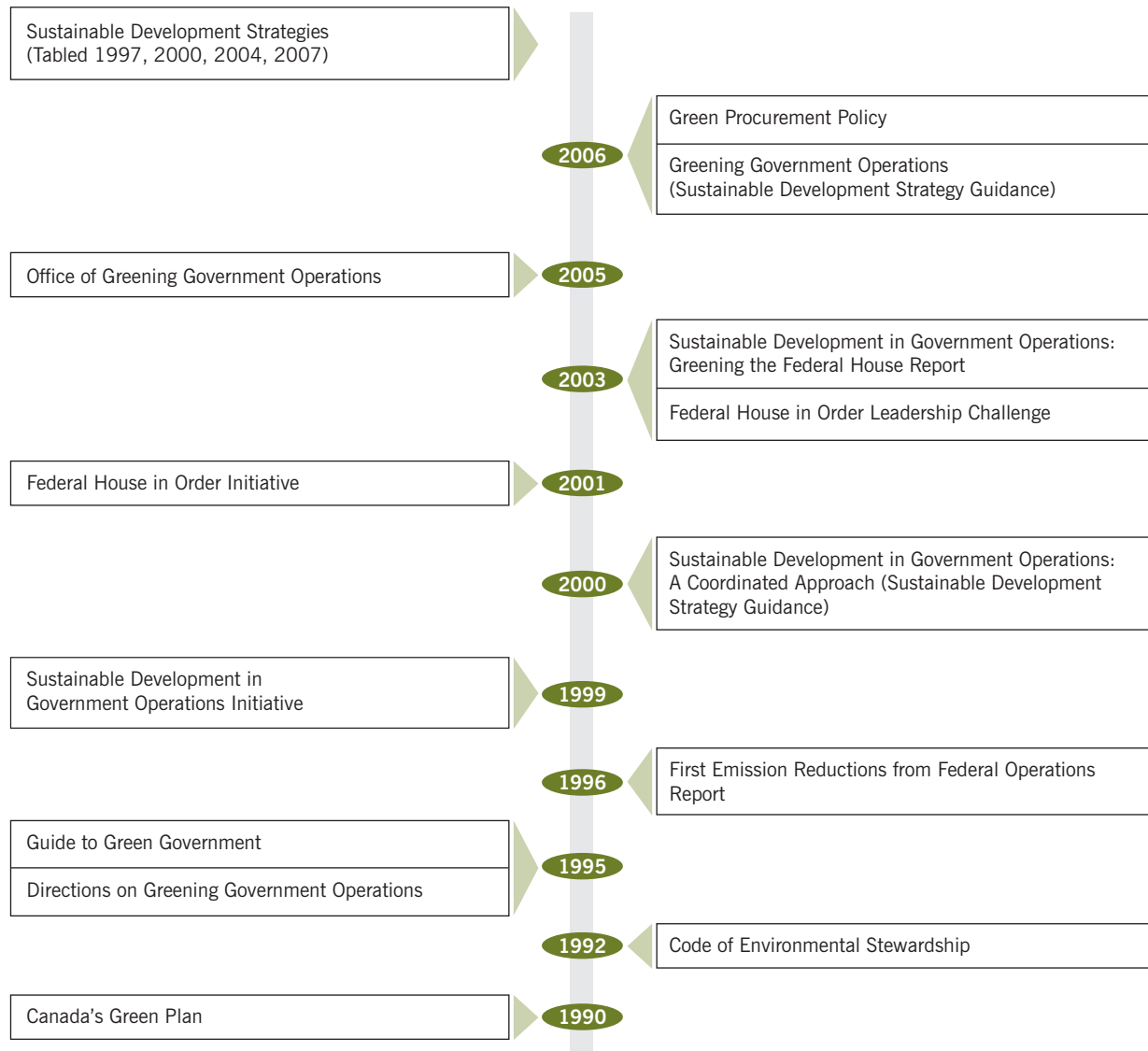
- reducing energy and resource consumption by buildings and vehicles,
- reducing greenhouse gas and other air-polluting emissions,
- using **green procurement**,
- cleaning up contaminated sites, and
- improving waste management.

10.4 After a number of other initiatives, the government created the Office of Greening Government Operations (OGGO) in April 2005 within Public Works and Government Services Canada (PWGSC). OGGO's mandate is to speed up the greening of government operations by working closely with the Treasury Board Secretariat and

Green procurement—The purchase of goods and services that are less harmful to the environment and to human health than competing products and services. It includes

- looking at how needs can be met without new purchasing;
- choosing a manufacturer that can demonstrate good environmental management practices; and
- buying goods that are produced with fewer resources, do not use or release toxic substances, are energy efficient, or are easily disassembled for reuse and recycling.

Exhibit 10.1 Key initiatives in the greening of government operations



Sources: Greening Government Operations: Guidance for Organizations Developing Sustainable Development Strategies (2007–2009)
Government of Canada's Greening Government website

key federal departments that provide technical expertise, particularly Environment Canada and Natural Resources Canada. With an annual budget of approximately \$10 million, OGGO was mandated to provide advice and guidance to departments on a wide range of activities related to the greening of their operations, including

- supporting the development of policy and performance management related to greening government operations; and

- providing a range of environmental services to government departments, such as providing advice and functional guidance in areas like green construction and waste management. (After this audit was completed, this role was consolidated within PWGSC's Real Property Branch. The Department believed that this would enable a greater focus on policies within OGGO.

Sustainable development strategies— Twenty-eight federal departments and agencies are now required to submit a sustainable development strategy to Parliament every three years. The strategy outlines commitments to make environmental protection and sustainable development an integral part of their mandates. These organizations are also expected to report progress against the commitments that they set out in their strategies. An additional four departments and agencies each voluntarily prepare one.

OGGO's role included the development of a green procurement policy and the preparation of greening government guidance for departments preparing the fourth round of **sustainable development strategies**.

What we previously found

10.5 We have maintained an ongoing interest in the government's efforts to green its operations. Since 1998, we have commented on a number of issues related to the lack of available information on greening operations, poor performance measurement frameworks, lack of progress in dealing with federal contaminated sites, the absence of a government-wide measurement strategy for office solid waste, and the lack of strong leadership in this area.

10.6 Most recently, in our 2005 chapter *Green Procurement*, we said that central guidance and direction to departments on greening their operations was inadequate, that Public Works and Government Services Canada had underused its potential to advance green procurement through standing offers used in purchasing, and that sustainable development strategies were not being used effectively as a tool to increase green procurement.

Events since 2005

10.7 In 2006, as an integral part of its *Coordinating the Fourth Round of Departmental Sustainable Development Strategies* document, the federal government released *Greening Government Operations: Guidance for Organizations Developing Sustainable Development Strategies (2007–2009)*. Jointly prepared by Public Works and Government Services Canada (PWGSC), Environment Canada, and the Treasury Board Secretariat, it provides guidance to federal departments and agencies on creating their strategies to achieve sustainable development in their operations.

10.8 Also in 2006, the government's *Policy on Green Procurement* came into force. It requires departments to consider environmental performance when buying goods and services. The government says the policy allows it "to green operations by considering not only what and how it purchases, but also how it uses, maintains and disposes of

acquired goods and services.” The Policy requires that deputy heads ensure that their departments realize the objectives of green procurement. PWGSC supports the policy by establishing directives, standards, tools, guidance, and training. In addition, the Department is responsible for incorporating environmental performance considerations into the commodity management process. The Treasury Board Secretariat provides support and guidance for departmental planning and reporting while Environment Canada and Natural Resources Canada support PWGSC’s role by providing environmental and technical expertise for the commodity management process.

Focus of the audit

10.9 The focus of this follow-up audit was to assess the progress selected departments have made in responding to the underlying issues derived from certain recommendations, observations, and commitments made in prior years with respect to certain aspects of greening government operations. The selected issues were derived primarily from our 2005 audit of green procurement while taking into account related points we have raised over the past 10 years. We focused on the following areas:

- The provision of strong leadership, central direction, and guidance on greening government operations to departments preparing sustainable development strategies. Our Office had previously commented on such guidance to departments on both an overall basis as well as how it specifically relates to green procurement. We focused on the overall guidance for this follow-up.
- Departmental action in response to the government-wide guidance on greening government operations.
- The greening of the commodity management process. Our 2005 green procurement audit covered a number of issues including the development of a green procurement policy and greening commodity management. We focused on the greening commodity management aspect for this follow-up.

We assessed progress, taking into consideration the complexity of addressing the issue and the time elapsed.

10.10 More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendations

Central direction and guidance for sustainable development strategies

10.11 In our 2005 audit, *Green Procurement*, we found that the government had not made full use of its sustainable development strategies to advance green procurement. We noted that for the selected departments' 2001 sustainable development strategies, the government had provided guidance for all aspects of greening government operations, including proposed targets and performance measures. For the 2004 strategies, the government did not provide guidance to departments on green procurement and we noted a decline in the number and measurability of green procurement commitments. Since all federal organizations buy goods and services, we indicated that it was possible to set some common objectives and targets. We recommended that Public Works and Government Services Canada (PWGSC) ensure that guidance on green procurement be developed in time for the departments' 2007 strategies, including a core set of practical and progressive green procurement objectives and targets.

10.12 In its response to our recommendation, PWGSC committed to working to develop, in time for the next round of sustainable development strategies, a core set of practical and progressive green procurement objectives, a common set of priorities and performance indicators, and a plan to improve green procurement reporting.

10.13 In addition to our observations directed to PWGSC, we have also reported on government-wide direction and guidance for departments preparing sustainable development strategies, which included greening government operations. In our 2005 chapter on sustainable development strategies, we noted that the government has tried to set some overall priorities for the departmental strategies, though these priorities have changed with each round. The 1997 strategies were influenced by the 1995 *A Guide to Green Government*, which set five objectives, including greening government operations. For their 2001 strategies, departments were provided with eight themes, which some departments worked into their strategies. For the 2004 strategies, we found that departments could not agree on priorities. A committee of deputy ministers that provides direction on the federal government's sustainable development priorities prepared a draft government-wide vision along with three priorities, including greening government operations. However, departments did not receive sufficient guidance on a timely basis to incorporate it into their 2004 strategies.

10.14 While in 2005 we examined green procurement, for this follow-up audit, we continued our ongoing interest in the broader and underlying issue of central direction and guidance on greening government operations to departments preparing sustainable development strategies. Following successive government announcements, we expected that such direction and guidance would be in keeping with the stature of the Government of Canada and would focus on providing leadership by example.

10.15 Specifically, we examined whether PWGSC, Environment Canada, and the Treasury Board Secretariat have made progress in providing central direction and guidance on greening government operations to departments preparing sustainable development strategies.

10.16 We expected that the government would have designated a lead department to coordinate central direction and guidance and would have established governance structures with well-defined roles, responsibilities, and accountabilities. After 15 years of government attempts to green government operations, we looked for the lead department together with the most significant departments to focus on results rather than on the process for implementing the government's stated intentions. We also expected that, consistent with sound management practice, the government would have identified priority areas and developed a government-wide performance measurement framework with common baselines (comparing current and future environmental status with the levels from a previous period) and meaningful and significant government-wide targets, reported on a consolidated basis. The lead department would have to work with other departments to develop government-wide green procurement targets, in addition to each department setting its own significant and meaningful targets for its sustainable development strategy, based on its mandate.

Guidance for strategies was optional and open to interpretation

10.17 One of the Office of Greening Government Operations's (OGGO) responsibilities was to work with Environment Canada and the Treasury Board Secretariat to provide greening government guidance for departments creating sustainable development strategies.

10.18 Each of the six main greening government operations areas has an interdepartmental steering group. Even though all six steering groups have met at least once, the process to develop the guidance only began in earnest in November 2005 after the three responsible

associate deputy ministers (for Public Works and Government Services Canada, Environment Canada, and the Treasury Board Secretariat) decided to focus on three priority areas: building energy, vehicle fleet emissions, and green procurement. The three steering groups concerned were asked to prepare discussion documents on priorities for government-wide targets for a departmental workshop held in December 2005.

10.19 In January 2006, the associate deputy ministers were briefed on the results of the workshop and the proposed direction for the sustainable development strategy guidance. The workshop discussions were to be used in developing the guidance. Discussions with the three steering groups and a selection of departments that submit sustainable development strategies were held in early 2006. The final version of the guidance was approved by the Deputy Ministers' Policy Committee on Environment and Sustainable Development on 29 March 2006. PWGSC, Environment Canada, and the Treasury Board Secretariat jointly issued the *Greening Government Operations Guidance* to departments on 7 April 2006.

10.20 The terminology used in the guidance left its use open to some interpretation by departments regarding the baseline levels to be used, the target definitions, the monitoring mechanisms, and the level of departmental commitment.

10.21 The guidance document states that all departments and agencies “are expected to” commit to the government-wide targets in their sustainable development strategy and to use the “recommended performance measures” in the guide. It adds that “the next step now greatly depends on departments and agencies adopting the common targets and common performance measures.” This wording left open to departments the decision on how extensively they would apply the guidance.

10.22 OGGO officials stated that their responsibility was limited to providing guidance. At the Standing Committee on Government Operations hearing in February 2007, OGGO officials said they only provided greening government operations guidance to departments and could not force its implementation. As a result, we noted that of 28 mandatory departmental sustainable development strategies tabled for 2007, seven had included all the government-wide greening government operations targets, while the others had partially included them (see paragraph 10.36). OGGO carried out a number of activities, such as making presentations to interdepartmental committees, to promote the inclusion of the guidance into departmental strategies.

In this instance, since compliance with the guidance was optional, without departmental commitment to consistently apply the guidance, there was an increased risk that the government would not reach the “focused and coherent government-wide report on results achieved” that it sought.

10.23 The government can use a variety of levers to ensure departmental action, including regulations, policies, and Cabinet directives. For example, the 2006 *Policy on Green Procurement* requires that deputy heads ensure that their departments realize objectives of green procurement.

10.24 In our opinion, while the guidance for the 2007 sustainable development strategies is a step forward, because there was no guidance produced for the 2004 strategies, its optional nature does not facilitate a significant and meaningful greening of government operations, consistent with the leadership role the federal government has claimed for itself.

The government missed an opportunity to show leadership when setting targets

10.25 The federal government has long stated its commitment to lead environmental sustainability by example, beginning with the 1992 *Code of Environmental Stewardship*. More recently, its 2006 *Greening Government Operations Guidance* stated that the federal government would be recognized as a model of environmentally and economically sustainable government operations, and can help lead Canada to a long-term competitive advantage based on environmental sustainability. In February 2007, the Minister of Public Works and Government Services said that his department “is uniquely positioned to contribute to real progress in protecting the environment.”

10.26 We examined how the government-wide targets were developed in the guidance for the three priority areas of building energy, vehicle fleet, and green procurement. The interdepartmental steering groups proposed targets for the three areas and OGGO, as the lead, coordinated the target development process.

10.27 Building energy. Early targets proposed by the building energy interdepartmental steering group to the departments tabling sustainable development strategies specified percentage reductions for the building energy targets. In 2006, at the end of the analysis and departmental consultation process, by consensus, specified percentage reductions were removed from the building energy targets in favour of more general targets that were significantly less aggressive.

10.28 These general targets were derived from the government's 2001 Federal House in Order (FHIO) initiative, which applied to the 11 departments and agencies that account for 95 percent of federal greenhouse gas (GHG) emissions. In 2001, those departments agreed to collectively reduce GHG emissions from their buildings and vehicles by 31 percent from 1990 levels by 2010. According to the latest published FHIO *Annual Report* (October 2004), the 11 departments and agencies had already reduced their emissions by 24 percent as of 2002. By asking the departments to "meet or exceed their FHIO target for buildings," the current targets for reducing energy consumption for these departments therefore reiterate targets they had already agreed to. Non-FHIO departments and those that lease their premises were asked to develop non-specified targets to reduce emissions in support of the FHIO. At the end of March 2007, three years before the target completion date, the government wound up the FHIO program and its annual reporting mechanism. With the end of the FHIO initiative and without a formal, consistent, and government-wide reporting mechanism, we are concerned that departments may not maintain their efforts to meet or exceed and report on their commitments.

10.29 Vehicle fleet. The vehicle fleet interdepartmental steering group's vehicle fleet target was inspired by the memorandum of understanding between the Government of Canada and the Canadian automotive industry in 2005, when manufacturers agreed to voluntarily reduce GHG emissions from their light-duty vehicles. The steering group understood the industry target in the agreement to be a 30 percent reduction by 2010. It established the target for the government vehicle fleet at half that—a 15 percent reduction in GHG emissions per vehicle kilometre from 2002–03 levels by 2010—and this target was mentioned in Budget 2007. The rationale was to set objectives that would "enable every department to meet this target." We could find no reference in the memorandum of understanding to a 30 percent target, nor could the government provide us with any calculation that would support it. As well, the steering group members could not provide us with other analyses to support the rationale for the chosen target, or the likelihood of its achievement.

10.30 Green procurement. The guidance contains no baseline or government-wide target for green procurement, other than training 100 percent of materiel management and procurement personnel on green procurement. Procurement targets were left to each department per the *Policy on Green Procurement*. The guidance states that departments "set a minimum of three green procurement targets over

three years.” The Policy calls for departments to set green procurement targets tailored to reflect their mandates and departmental buying patterns. In addition to this focus on departmental goals, given that the government issued government-wide guidance for departments preparing sustainable development strategies, we believe that it could have explored opportunities for government-wide green procurement targets.

10.31 Considering that the guidance targets concerning building energy, vehicle fleet emissions, and green procurement are not specific, repeat previous objectives, or are left open to interpretation, we believe that the government has missed an opportunity to lead by example by setting aggressive targets and consistently measuring and reporting on overall progress.

Other nations have chosen more top-down approaches

10.32 The Canadian government has provided less direction from top officials in the area of greening its operations than some other countries. The following examples illustrate the top-down approach used by two other Western nations.

10.33 United Kingdom. In June 2006, after having completed a review of how the government manages its land and buildings, the Sustainable Operations Board of the United Kingdom released its latest version of targets that departments are expected to meet in three key areas: climate change and energy, sustainable consumption, and natural resource protection. The targets are issued in the name of the prime minister, agreed to by ministers, and the Environmental Audit Committee of the United Kingdom has the power to call ministers to account for their departmental performance. UK targets have a given time frame. For example, one of the climate change and energy targets is to reduce carbon emissions from government operations by 12.5 percent by 2010–11, relative to 1999–2000 levels. In addition, the Sustainable Development Commission, the government’s independent watchdog, produces an annual report on government’s progress in meeting these targets.

10.34 United States. In January 2007, the President of the United States released an executive order entitled *Strengthening Federal Environmental, Energy and Transportation Management*. This document ordered each federal agency to reach a series of environmental goals. The following are examples of goals in the executive order:

“Improve energy efficiency and reduce greenhouse gas emissions of the agency, through reduction of energy intensity [of the

agency] by (i) 3 percent annually through the end of fiscal year 2015, or (ii) 30 percent by the end of fiscal year 2015, relative to the baseline of the agency's energy use in fiscal year 2003."

"Ensure that if the agency operates a fleet of at least 20 motor vehicles, the agency, relative to baselines for fiscal year 2005, (i) reduces the fleet's total consumption of petroleum products by 2 percent annually through the end of fiscal year 2015..."

"Ensure that the agency (i) when acquiring an electronic product to meet its requirements, meets at least 95 percent of those requirements with an Electronic Product Environmental Assessment Tool (EPEAT)-registered electronic product..."

The document also ordered each agency to name a senior official as accountable for the execution of the order.

Varied measurement and reporting make consolidated reporting difficult

10.35 Given the importance the guidance places on the three areas of building energy, vehicle fleet emissions, and green procurement, we assessed how well the 28 departments and agencies that are required to provide sustainable development strategies responded to the guidance by incorporating the chosen targets into their strategies. The guidance document stated that all departments and agencies were "expected to commit to the 'government-wide targets' and to use the recommended performance measures."

10.36 We reviewed the 28 departmental sustainable development strategies to determine the extent to which departments and agencies had incorporated the government-wide greening government operations targets. We found that seven of these organizations had included all of the government-wide targets and the others had partially included them.

10.37 However, with respect to the recommended performance measures, even in those cases where the departments included the targets, they were not always worded in a manner consistent with the government-wide target. For instance, we found that many departments with Federal House in Order obligations stated their sustainable development strategy targets using varying baselines and measurements, such as actual amounts versus percentage reductions, which makes consolidated reporting difficult. For example, for the same objective, we found the following targets in two different departmental sustainable development strategies:

“Reducing greenhouse gas (GHG) emissions by 134.9 kilotonne carbon dioxide equivalent by 2010 from 1998 baseline.”

“By 2011, reduce net departmental greenhouse gas emissions and energy consumption by 5 percent from 2004/2005 baseline.”

10.38 The vehicle fleet government-wide target called for a 15 percent reduction in GHG emissions per vehicle kilometre from the 2002–03 baseline by 2010, but a number of departments did not mention a percentage reduction and some used different baselines or did not refer to a baseline.

10.39 The lack of a measurable government-wide green procurement target resulted in a wide range of specific targets that will make it virtually impossible to provide any meaningful picture of government-wide progress to Canadians and Parliament. Examples of specific targets from various departmental sustainable development strategies included the following:

“All procurement staff to have access to list of available green products.”

“By March 31, 2008, green products account for 10 percent of total product spending.”

“Green Furniture Purchases—Corporate Services Branch will increase purchases of green office furniture from 2005–06 levels by 50 percent where and whenever new fit-up [office construction] opportunities exist, and where current design configuration permits.”

10.40 We followed up with three departments—Agriculture and Agri-Food Canada (AAFC), Public Works and Government Services Canada, and Transport Canada—to determine how far they integrated the government-wide greening government operations targets into their sustainable development strategies. We wanted to see if the departmental incorporation of the greening government operations targets would allow the information to be consolidated government-wide.

10.41 Agriculture and Agri-Food Canada. AAFC included all of the government-wide targets as suggested by the guidance in its sustainable development strategy. As a FHIO department, AAFC already had a performance measurement and reporting framework in place for buildings and fleet. AAFC has identified the data sources it will use to measure and report against all of its greening government operations targets in its strategy.

10.42 Public Works and Government Services Canada. PWGSC incorporated all of the government-wide targets into its sustainable development strategy. Its main building energy target was stated in terms of a percentage reduction of energy consumption and an associated reduction in greenhouse gas emissions from 2001–02 levels, whereas the target in the FHIO initiative uses 1990 levels as the baseline. A Department analysis showed how meeting its own target will allow it to substantially meet its FHIO target, but this would depend on making needed renovations to the central heating plant. In addition, the choice of a different baseline makes it difficult to consolidate with those of other departments.

10.43 Transport Canada. Transport Canada uses an internal Environmental Management System (EMS) to mitigate the environmental impacts of its operations and includes its EMS targets as an annex to its departmental sustainable development strategy. The Department partially included the greening government operations government-wide targets in its EMS: it did not include either the government-wide vehicle fleet target or a quantified green procurement target. The target for green procurement stated that the Department would “identify opportunities and take action to purchase greener goods and services by 2009.” Transport Canada officials indicated that it also has internal targets that are not stated in its sustainable development strategy, such as specific actions to be taken on green procurement.

10.44 As a Federal House in Order department, Transport Canada included its FHIO target in its EMS. While the FHIO called for reducing emissions from vehicles and buildings, in the case of Transport Canada, its FHIO target is for vehicles only as it was in the process of selling some of its properties at the time of target negotiation.

10.45 Transport Canada has a measurement and reporting mechanism for its vehicle fleet as part of its FHIO commitment. The other EMS targets all have an associated performance indicator against which progress will be reported. However, the measures are not fully consistent with the guidance, which may make it difficult to consolidate them with information from other departments.

10.46 Conclusion. In our opinion, the efforts of these three departments typify the fragmented approach to government-wide reporting of its greening efforts. With a variety of different performance measures applied inconsistently among departments, Public Works and Government Services Canada, as the lead for greening government

operations, supported by its partners the Treasury Board Secretariat and Environment Canada, will be hard pressed to develop any coherent government-wide information on the results of its efforts.

There is no strategy to consolidate government-wide information

10.47 Given the complexity of bringing together information from 28 departments and agencies, we expected that the government would have a strategy to enable the consolidated reporting of progress against the government-wide targets. The guidance recognizes this by indicating that reporting in a consistent manner on the three priorities will make it easier to develop a government-wide report on these aspects of government operations.

10.48 Establishing consistent performance indicators with common target definitions and common baselines is a key first step to reporting on government-wide progress. OGGO recognizes the challenge of government-wide reporting given the lack of complete and consistent use of the government-wide targets by all departments preparing sustainable development strategies. There is as yet no plan for reporting on government-wide information. As described in paragraph 10.28, the FHIO program and its annual reporting mechanism for the building energy target were wound up on 31 March 2007. We also note that Public Works and Government Services Canada is currently leading the development of a Results-based Management and Accountability Framework for the Policy on Green Procurement that will support departmental reporting on their green procurement activities, one of the government's sustainable development strategy focus areas. Officials responsible for departmental sustainable development strategies told us that they have received no communication from guidance-issuing departments regarding the consolidation of information against the government-wide greening government operations targets.

10.49 In Chapter 1 of our October 2007 Report, we reported that the government still has not developed a federal sustainable development strategy, an outstanding commitment for more than 15 years. In addition, we stated that in the absence of a coherent set of goals, indicators, and expectations regarding progress, and a mechanism to enable the gathering and reporting of performance information, there is no basis upon which to objectively assess overall progress toward sustainable development strategy goals and that our view on this had not changed since our 2002 audit of sustainable development strategies.

Progress is unsatisfactory

10.50 Given that the guidance for strategies was optional and open to interpretation, that the government missed an opportunity to show leadership when setting targets, that the varied measurement and reporting make consolidated reporting difficult, and that there is no strategy to consolidate government-wide information, we have assessed the government's progress as unsatisfactory in providing central direction and guidance for greening government operations to departments preparing sustainable development strategies (Exhibit 10.2).

Exhibit 10.2 Progress in addressing our recommendation on central direction and guidance for greening government operations is unsatisfactory

Recommendation	Progress
Public Works and Government Services Canada, in cooperation with Environment Canada and the Treasury Board Secretariat, should provide practical and progressive central direction and guidance on greening government operations to departments for the 2007 sustainable development strategies. (2005 Report of the Commissioner of the Environment and Sustainable Development, Chapter 6, see paragraph 6.24.)	Unsatisfactory

Satisfactory—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Unsatisfactory—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

10.51 Recommendation. Public Works and Government Services Canada (PWGSC), in consultation with the Treasury Board Secretariat, Environment Canada, and other departments and agencies as appropriate, should revisit the authorities, roles, responsibilities, and capacities for greening government operations, with a view to clarifying the leadership and responsibility for

- the provision of central direction and guidance on greening government operations for sustainable development strategies,
- the establishment of meaningful and aggressive government-wide targets for greening government operations, and
- the development of a government-wide strategy for monitoring and reporting on greening government operations.

PWGSC's response. PWGSC, on behalf of responsible departments and agencies, agrees with this recommendation. Building on past successes, PWGSC, in consultation with the Treasury Board Secretariat, Environment Canada, and other departments and

agencies as appropriate, will work to clarify authorities, roles, responsibilities, and capacities around greening government operations with a view to clarifying the leadership and responsibility for

- providing central direction and guidance on greening government operations, in the context of sustainable development strategies;
- developing benchmarks and meaningful and aggressive government-wide targets for greening government operations; and
- establishing performance measures and a government-wide strategy for monitoring and reporting.

This will draw on over a decade of experience and be informed by international best practices on greening government operations. Clarification of authorities, roles and responsibilities will be completed by April 2008.

This response has been developed in consultation with the Treasury Board Secretariat and Environment Canada.

The greening of commodity management

10.52 According to Public Works and Government Services Canada (PWGSC), the federal government annually buys about \$20 billion in goods and services. In our 2005 audit, *Green Procurement*, we noted that the scale of federal procurement means that the benefits of greening could be significant. That audit made several recommendations, including completing the policy on green procurement, adding progress on green purchasing to the performance evaluations of managers, developing guidance for sustainable development strategies, setting clear accountability for results reporting, and establishing a coordinated approach to training.

Standing offers—Offers from suppliers to provide goods or services under set terms and conditions, including a pre-arranged price. Over the term of an offer, departments can make requests against the offer, up to a specified maximum amount. This makes it easier and faster for departments to do routine purchasing of common goods and services.

10.53 In addition, the 2005 audit made recommendations to PWGSC as the common service provider for federal procurement. We found that the government was not making full use of “green” **standing offers** requiring that suppliers of goods and services use a minimum level of environmental practices. We recommended that PWGSC review standing offers to determine which should be greened and then to ensure that departments give first consideration to green standing offers. We also recognized the potential of the government’s shift to more commodity-based management of procurement and recommended that PWGSC include green procurement as a key part of the central management of procurement and include it in the mandate of the interdepartmental commodity councils and management teams set up to manage the acquisition of certain types of goods. PWGSC responded that the commodity councils and

management teams would ensure that environmental criteria are incorporated into relevant mandatory standing offers.

10.54 For this audit, we followed up on commodity management issues related to PWGSC's common service role. Specifically, we examined whether PWGSC, with the support of Environment Canada and Natural Resources Canada, has made progress in greening the commodity management process, including standing offers.

10.55 Given the response to our 2005 audit, we expected that the government would show its promised environmental leadership in keeping with the scale of its annual procurement of close to \$20 billion. We expected that it would have

- actively promoted the inclusion and use of environmental considerations in standing offers,
- developed a measurement and reporting framework for green procurement,
- incorporated environmental performance considerations into the commodity management process, and
- ensured that Environment Canada and Natural Resources Canada supported PWGSC's efforts in greening procurement by providing environmental expertise for the commodity management process.

The government is greening commodity management in phases

10.56 In 2005, the government launched its *Commodity Management Framework*, which it calls "a critical guide toward the successful implementation of commodity management across departments." The document states that purchasing has traditionally been managed by each transaction. The use of an individual transaction approach essentially placed the decision on green procurement with a purchasing officer, making buying green just another consideration.

10.57 Commodity management is a framework of governance and processes used to review, plan, acquire, and control the activities of a distinct group of goods and/or services. As part of the process, the government recognizes the need to balance different government priorities such as savings, efficiencies, timeliness of procurement, and long-standing environmental and socio-economic objectives such as support for small and medium enterprises. The government formally implemented the commodity management approach in 2005.

10.58 The commodity management process is being applied to 10 categories of commonly purchased goods and services, such as office supplies and computer hardware and software. In addition, the government announced in Budget 2005 that, as of April 2005, it was mandatory for departments to use standing offers for these 10 commodities, where the offers exist.

10.59 Responding to a commitment it made in its 2004 Throne Speech and to our 2005 audit recommendation, the government's Policy on Green Procurement came into force on 1 April 2006. Its objective is to advance the protection of the environment and support sustainable development by considering environmental performance when making procurement decisions. The Policy calls for PWGSC, in its role as a common service agency, to incorporate environmental performance considerations, including the costs and benefits over the commodity's life cycle, into the commodity management process. Implementing the Policy in phases, PWGSC's initial phase included five of the commodities: computers, printers and copiers, office supplies, fuels, and furniture. In addition, as stated in paragraph 10.48, PWGSC is currently leading the development of a Results-based Management and Accountability Framework to support departmental reporting on the Policy.

10.60 Interdepartmental commodity councils and teams were created to develop overall commodity plans and strategies as required by the Commodity Management Framework. Commodity councils develop the high-level strategies and savings targets while the commodity teams design and deliver the commodity plans for the specific subcategories. The commodity teams are to ensure compliance with relevant procurement policies and practices such as the Policy on Green Procurement.

After more than a year, formal, integrated commodity management plans are not yet in place

10.61 To assess the impact of the new procurement approach, we examined how PWGSC has greened the commodity management process for two of the five commodities: furniture and computer hardware.

10.62 Furniture. While the furniture commodity council has met only once, the furniture commodity team, which includes representatives from Environment Canada and Natural Resources Canada, has met several times in the past year. While green criteria and sustainable development formed part of the agenda, the focus in early 2006 was on

streamlining and speeding up the process to achieve greater savings. The furniture commodity team has not yet produced a formal, integrated commodity plan.

10.63 The furniture commodity team's efforts were affected by the furniture industry's concerns with the government's procurement reform. The consultations with the furniture industry in late 2006 focused on the procurement process and the government's savings targets. Environmental considerations were not a priority in that exercise. In early 2007, PWGSC set up a new interdepartmental committee, as well as an external committee with industry, to help move the furniture commodity process forward.

10.64 The commodity team analysis shows annual government spending on furniture was approximately \$135 million. At present, the current furniture standing offers contain non-mandatory green requirements. Environmental attributes were requested from companies for information purposes only, and were not a condition for obtaining a standing offer. The commodity team is currently preparing a new standing offer for cabinets that will require suppliers to comply with a minimum level of mandatory green criteria. PWGSC's intent is to include mandatory environmental criteria in future standing offers that reflect current industry capability and standards.

10.65 Computers. Public Works and Government Services Canada estimates that the federal government's annual purchases of computer hardware total about \$500 million. Officials indicated that a significant barrier to planning was the lack of quality data on the dollar value of departmental purchasing for this commodity. In addition, the Department estimates that more than half of government computer hardware business does not go through the standing offer mechanism. The computer hardware commodity team, which includes representatives from Environment Canada and Natural Resources Canada, has not yet produced its formal, integrated commodity plan. To green its activities, in 2006–07 the team held a variety of meetings with industry and individual departments. Examples of green activities for computers include energy efficient screens and power supplies, as well as environmentally friendly disposal. A working group on the disposal of electronic products was developing a green lifecycle management approach for computers, given that computers contain toxic materials that need to be properly managed at the end of their useful lives. The commodity team expressed its desire to green computer procurement but explained that it must balance that goal with the need to maintain enough competition among suppliers.

10.66 We compared the environmental requirements in the existing standing offer for desktop computers, covering the period 2004 to 2007, with the environmental requirements in the request for standing offer that was issued in July 2007. We noted an increase in the level of environmental requirements in the new procurement document. For example, it calls for all computer system units and monitors to be certified through the Electronic Product Environment Assessment Tool (EPEAT) Silver level, which reflects current industry practice.

10.67 PWGSC's greening of the computer hardware and furniture commodities is going ahead without the overall integrated commodity plans required by the Commodity Management Framework, and as only one among a number of competing priorities.

10.68 While acknowledging that comprehensive commodity management plans have not yet been developed, the Department informed us that, as part of a number of its activities, it has produced documents that contain elements of the information that are required for an integrated commodity plan. For example, as part of a department-wide exercise to accelerate savings in PWGSC's commodity management practices, commodity strategy documents were prepared in early 2006. These documents summarized market demographics and data, procurement options, and suggestions for speeding up the achievement of savings targets. However, there was little attention given to environmental performance. The commodity teams have separately produced documents that summarize the Department's greening activities for commodity standing offers, such as those activities described above for furniture and computer hardware.

10.69 Recommendation. Public Works and Government Services Canada (PWGSC) should develop the integrated comprehensive commodity management plans required by the Commodity Management Framework to ensure that it maximizes its greening efforts while respecting other government priorities for procurement.

PWGSC's response. PWGSC agrees with this recommendation and will review and develop comprehensive commodity management plans for Commodity Management Initiatives identified prior to December 2007, including the two commodities examined, namely furniture and computer hardware, by December 2008.

Progress is satisfactory

10.70 Given that the government moved to its current commodity management approach in 2005, and that it has increased the inclusion of environmental considerations into standing offers for the commodities we examined, we have assessed the government's progress in greening the commodity management process as satisfactory, with the exception of slow progress in developing integrated comprehensive commodity plans (Exhibit 10.3).

Exhibit 10.3 Progress in addressing our recommendations on greening the commodity management process is satisfactory

Recommendations	Progress
Public Works and Government Services Canada, with the support of Environment Canada and Natural Resources Canada, should green the commodity management process, including standing offers. (2005 Report of the Commissioner of the Environment and Sustainable Development, Chapter 6, see paragraphs 6.40 and 6.48.)	Satisfactory

Satisfactory—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendations were made.

Unsatisfactory—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendations were made.

Conclusion

10.71 The government has produced greening government guidance to departments preparing sustainable development strategies, but the guidance lacks a results focus. With less than aggressive targets in three areas of operations and without departmental commitments to meeting or exceeding these targets, the federal government has not shown the promised leadership in the area of greening its operations. It does not have an agreed-upon method to consolidate and report on government-wide results on its progress in greening its own operations. In our opinion, this represents unsatisfactory progress.

10.72 Greening government procurement has been a government priority since the *Code of Environmental Stewardship* was introduced in 1992. The government's 2006 Policy on Green Procurement is a positive step. The government has also placed considerable emphasis on its new commodity management approach to procurement, which was introduced in late 2005. As a result, given the time that has elapsed since that change in approach, the government is making satisfactory progress in greening the commodities we examined, with

the exception of slow progress in developing integrated comprehensive commodity management plans as required by the Commodity Management Framework. Efforts need to be made to consolidate the required information into comprehensive plans because, without strategic planning toward best practice goals based on integrated analysis, Public Works and Government Services Canada cannot show leadership in this area or clearly demonstrate whether the government is maximizing its greening efforts among competing priorities.

10.73 After more than 15 years since its first efforts, the government is taking some commendable initial steps to green its operations but it continues to have a long way to go.

About the Audit

Objective

The overall objective was to assess the progress made by selected departments in responding to the underlying issues derived from certain recommendations, observations, and commitments made in prior years with respect to certain aspects of greening government operations.

Scope and approach

We focused our audit on the underlying issues derived from selected recommendations and significant observations drawn primarily from the 2005 Report of the Commissioner of the Environment and Sustainable Development (CESD), Chapter 6, Green Procurement, while taking into account related points raised over the past 10 years, such as the 2005 CESD Report, Chapter 7, Sustainable Development Strategies. Specifically our audit assessed:

- Whether Public Works and Government Services Canada (PWGSC), Environment Canada, and the Treasury Board Secretariat have made satisfactory progress in providing central direction and guidance on greening government operations to departments for the 2007 sustainable development strategies, as derived from recommendation 6.24 of Chapter 6 of our 2005 report. In response to that recommendation, the government stated it was working to develop “a core set of practical and progressive green procurement objectives” for departments by December 2005.
- Whether departments and agencies have responded to government-wide greening government targets.
- Whether Public Works and Government Services Canada, with the support of Environment Canada and Natural Resources Canada, has made satisfactory progress in greening the commodity management process, including standing offers, derived from recommendations 6.40 and 6.48 in Chapter 6 of our 2005 Report. In response to those recommendations, the government stated that it would release a green procurement policy that would require commodity councils and management teams to incorporate environmental criteria into relevant mandatory standing offers. Budget 2005 stated that this would apply to the 10 most common commodities and services purchased by government.

Our approach included reviewing documents and interviewing departmental officials. We also looked for best practices among selected other developed countries.

Criteria

The following criteria for the audit were derived from the observations and recommendations (including the government response) from our 2005 audits, and from the 2006 Policy on Green Procurement.

We expected to find the following:

- The government has designated a lead department to coordinate the development of central direction and guidance and has established governance structures with well-defined roles, responsibilities, and accountabilities.

- The government has identified priority areas and has developed meaningful and significant government-wide targets, taking into account experience, results, and lessons learned from previous guidance to departments.
- The government has established a framework for measurement and reporting of greening government operations government-wide.
- Departments have incorporated government-wide greening government targets in their sustainable development strategies.
- Departments have developed frameworks, processes, and practices for the measurement and reporting against the targets.
- The lead department has monitored the efforts of the implementing departments to ensure consistency across government.
- The government has actively promoted the inclusion and use of environmental considerations in standing offers.
- PWGSC has worked with departments to develop government-wide green procurement targets and to set departmental targets for their sustainable development strategies that are significant and meaningful based on the nature of their mandates.
- PWGSC has worked with departments to develop a measurement and reporting framework for green procurement.
- The government has incorporated environmental performance considerations into the commodity management process.
- The government has ensured that Environment Canada and Natural Resources Canada support Public Works and Government Services Canada's efforts toward greening procurement by providing environmental expertise as part of the commodity management process.

Audit work completed

Audit work for this chapter was substantially completed on 15 June 2007.

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Appendix List of recommendations

The following is a list of recommendations found in Chapter 10. The number in front of the recommendation indicates the paragraph number where it appears in the chapter. The numbers in parentheses indicate the paragraph numbers where the topic is discussed.

Recommendation	Response
Central direction and guidance for sustainable development strategies	
<p>10.51 Public Works and Government Services Canada (PWGSC), in consultation with the Treasury Board Secretariat, Environment Canada, and other departments and agencies as appropriate, should revisit the authorities, roles, responsibilities, and capacities for greening government operations, with a view to clarifying the leadership and responsibility for</p> <ul style="list-style-type: none"> • the provision of central direction and guidance on greening government operations for sustainable development strategies, • the establishment of meaningful and aggressive government-wide targets for greening government operations, and • the development of a government-wide strategy for monitoring and reporting on greening government operations. (10.11–10.50) 	<p>PWGSC, on behalf of responsible departments and agencies, agrees with this recommendation. Building on past successes, PWGSC, in consultation with the Treasury Board Secretariat, Environment Canada, and other departments and agencies as appropriate, will work to clarify authorities, roles, responsibilities, and capacities around greening government operations with a view to clarifying the leadership and responsibility for</p> <ul style="list-style-type: none"> • providing central direction and guidance on greening government operations, in the context of sustainable development strategies; • developing benchmarks and meaningful and aggressive government-wide targets for greening government operations; and • establishing performance measures and a government-wide strategy for monitoring and reporting. <p>This will draw on over a decade of experience and be informed by international best practices on greening government operations. Clarification of authorities, roles and responsibilities will be completed by April 2008.</p> <p>This response has been developed in consultation with the Treasury Board Secretariat and Environment Canada.</p>

Recommendation	Response
<p>The greening of commodity management</p> <p>10.69 Public Works and Government Services Canada (PWGSC) should develop the integrated comprehensive commodity management plans required by the Commodity Management Framework to ensure that it maximizes its greening efforts while respecting other government priorities for procurement. (10.52–10.68)</p>	<p>PWGSC agrees with this recommendation and will review and develop comprehensive commodity management plans for Commodity Management Initiatives identified prior to December 2007, including the two commodities examined, namely furniture and computer hardware, by December 2008.</p>

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