

**GUIDELINE F-14**  
**(formerly 02-01)**

**Economic Analyses of Control Documents on  
Private Sector Enterprises and Municipal Projects**

**Legislative Authority:**

*Environmental Protection Act, RSO 1990, Part I, Section 4*

**Responsible Director:**

Director, Economic Services Branch

**Last Revision Date:**

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## **SYNOPSIS**

This guideline provides a framework for economic analyses that may be performed under the direction of the Economic Services Branch as part of the development of "control documents" issued to individuals, firms, corporations or municipalities. Control documents include Minister's reports, licences, permits, Certificates of Approval, notices of intent, orders, Control Orders, requirements and directions, and program approvals.

Economic analysis may also be required as evidence for an environmental prosecution or for sentencing after a conviction. The purpose of an economic analysis is to provide information about the financial implications and economic consequences of implementing or not implementing requirements in control documents. The results of the analysis will be used to help decide on the appropriate requirements and/or environmental objectives in control documents. The analysis can also be used as a basis for recommending a fine in a prosecution.

### **1.0 Definitions**

#### **Economic Analysis:**

The application of economic principles to identify and evaluate the consequences of particular courses of action or changes in policy; includes benefit-cost, cost-effectiveness and/or financial effects analyses; the incidence or distribution of these consequences and values among different groups, economic sectors and/or regions is also determined

#### **Regulated Party:**

An individual, private company, corporation or other entity who is subject to an order or approval

#### **Control Document:**

A document which is authorized by statute, binding upon the recipient, and directly enforceable by prosecution; these include Minister's reports, licences, permits, Certificates of Approval, notices of intent, orders, Control Orders, requirements and directions, and program approvals (*For purposes of this guideline, a Control Document will also refer to a prosecution.*)

#### **Financial Analysis:**

The application of economic analytical techniques to estimate the economic and financial effects (both costs and benefits) of specific environmental requirements on individuals, firms, corporations, Crown corporations or municipalities

### **Cost-Effectiveness Analysis:**

An economic analytical technique which involves a comparison of the costs of alternative methods to achieve a pre-specified objective or beneficial effect; or, determination of the method that will achieve the highest amount of a given objective or effect for a fixed level of input or expenditure

### **Benefit - Cost Analysis:**

A framework that involves the identification, quantification and valuation of the costs and benefits associated with defined programs and alternative courses of action

### **Environmental Objectives:**

Numerical or qualitative objectives specified in control documents (orders or approvals), including, but not limited to: maximum allowable flow rates, pollutant concentrations (in air or water-borne pollutant releases) pollutant loadings per unit time, etc.

## **2.0 Objective**

To generate information about the financial and economic consequences of Control Documents on regulated parties that can be used by the Minister and Ministry personnel in making decisions.

## **3.0 Purposes and Uses of Economic Analyses**

- (a) to assess and verify claims by a regulated party that it cannot afford the costs associated with a control document, or that costs associated with a control document are expected to cause plant closures, unemployment, or other undesirable consequences
- (b) to provide information about the costs, benefits and other economic consequences of proposed conditions or environmental conditions in a control document
- (c) to help decide on environmental objectives in a control document; or
- (d) to provide evidence for environmental prosecutions or for sentencing hearings after convictions.

## **4.0 Initiation of an Economic Analysis**

### **4.1 Authority to Initiate an Economic Analysis**

An economic analysis may be initiated by the Minister, the Deputy Minister, a Division Head or a Director.

### **4.2 Reasons for Initiating an Economic Analysis**

- (a) a regulated party claims undue hardship, adverse financial effects, or economic consequences, such as plant closure, and requests an assessment;
- (b) a municipality claims undue hardship or financial effects associated with a Ministry control document;
- (c) another Ministry or Government agency requests an assessment; or
- (d) a Defendant in a prosecution presents financial/economic data as a defence or during sentencing.

#### **4.3 Protocol**

Requests for economic analyses shall be made through the appropriate Division Head or the Director of the Legal Services Branch to the Director, Economic Services Branch.

#### **5.0 Information that may be required:**

To conduct analyses, the Economic Services Branch shall normally require:

##### **5.1 Cost-Effectiveness Analyses**

- (a) quantitative specification of program objectives in terms of emission or discharge rates or ambient environmental quality levels;
- (b) a comprehensive specification of technologies or management systems that will achieve the stated objectives, alone or in combination; and
- (c) estimates of the capital and operating costs of implementing specified technologies or management procedures to achieve the stated objectives.

##### **5.2 Financial Impact Analyses**

In addition to the information described under 5.1(c):

- (a) detailed financial statements of the regulated party's operation for at least five years including, at minimum: consolidated income statements, balance sheets, statement of changes in financial position, relevant transfer prices and adopted accounting policies;
- (b) where a single establishment of a large, multi-establishment regulated party is the focus, desegregated financial data for the specific establishment are required; and
- (c) financial performance data for the industry in which the regulated party operates.

### **5.3 Benefit-Cost Analyses**

In addition to the information described under Section 5.1:

- (a) estimates of the physical quantities of equipment, chemicals, materials, labour (person-hours or years of work, etc.) and their financial values required to achieve various levels of abatement, pollution reduction or degrees of environmental protection, as well as any cost reductions or revenues resulting;
- (b) non-financial consequences of complying with the Control Document including (but not limited to) lay-offs, reduced or increased output or production; and
- (c) quantitative estimates and/or qualitative descriptions of the environmental and social gains or losses resulting from the proposed action(s) and, where possible, estimates of the dollar values associated with these consequences.

## **6.0 Implementation**

### **6.1 Responsibility and Co-ordination**

The Economic Services Branch shall co-ordinate the implementation of all economic analyses:

- (a) to determine whether analyses will be carried out in-house or by a consultant;
- (b) to ensure that methods used are consistent with the requirements of this and other relevant policies;
- (c) to ensure that results are of a consistent quality and comparable from one study to another; and
- (d) to ensure reports, data and other results of the analyses are maintained and accessible for future reference.

### **6.2 External Consultation**

Consultations with other Provincial Ministries, the Federal Government and other private and public agencies shall be undertaken as required.

## **7.0 Further Analyses**

If a financial analysis indicates that the control document compliance costs could cause severe financial burdens, plant closures, or employee layoffs, a more comprehensive benefit-cost analysis may be implemented.

## **8.0 Provision of Relevant Information**

## **8.1 Responsibility of Regulated Parties**

Regulated parties who request economic analyses are expected to provide such financial and other types of information to Ministry personnel or its consultants, as needed, to carry out the analyses.

## **8.2 Failure to Provide Requisite Information**

## **8.3 Freedom of Information**

Failure to provide the required information by regulated parties who request financial assessment shall be interpreted to mean that the regulatory requirements have no significant adverse effects on the regulated party in question.

Information provided to the Ministry by individuals, private companies, Crown corporations or municipalities shall be subject to the provisions of the *Freedom of Information Act*.

It is expected that such information will be exempt from disclosure under the *Freedom of Information Act* because it pertains to private individuals, firms or corporations. However, determination regarding the confidentiality of any information supplied will be made by the Ministry's Freedom of Information Co-ordinator.