

Backgrounder: The Government of Canada's Climate Policy¹

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This note provides a brief overview of the Government of Canada's greenhouse gas (GHG) reduction policies under Prime Minister Stephen Harper. It covers four areas: emissions trading, GHG emission targets, public spending and international engagement.

Canada's federal government performs poorly in each of these critical areas. Unfortunately, the Government of Canada has not yet started taking action to tackle global warming with anything close to the priority and urgency that the issue requires. This contrasts with surveys consistently showing that Canadians see global warming as a top-tier priority for government action. A poll fielded during the October 2008 federal election found that less than one-third (31%) of respondents were satisfied with the government's environmental performance, with 55% expressing dissatisfaction.²

1. Canada's proposed emissions trading system is weakened by intensity targets, loopholes and delay

The Harper government first proposed an emissions trading system for GHGs in April 2007 and published an updated proposal in March 2008. The system, known as "Turning the Corner," was due to come into effect in January 2010.

The "Turning the Corner" emissions trading proposal covered heavy industry emitters (including electricity generators), which make up just under half of Canada's total emissions. It failed to set a hard cap on industrial emissions; instead, the plan proposed to instead set an "intensity" target (a target in emissions per unit of production) for each covered facility or firm. The system would have made a transition to "fixed caps" only in the 2020–2025 period.

The plan offered firms a large number of compliance options to meet their targets, including unlimited access to domestic offset credits and the use of a "Technology Fund," which would have allowed emitters to make payments at a rate of \$15/tonne (increasing to \$20 in 2013) into a government-administered fund for low-emission technology. The proposal allowed companies to use the Technology Fund option to meet 70% of their emission reduction obligation in 2010; access to the fund was to be more restricted each year until it phased out in 2018.

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² McAllister Opinion Research, "National Poll: Two-Thirds of Canadians Say Green Tax Shift is a 'Good Idea,'" news release, October 10, 2008. Also available online at <http://www.newswire.ca/en/releases/archive/October2008/10/c5486.html>.

In March 2008, government committed to release the detailed regulations for this system (under an existing piece of legislation, the *Canadian Environmental Protection Act*) by the fall of 2008. These regulations have not been published, which raises questions about whether the government still intends to have its system in place in 2010. Those questions intensified after the government failed to mention “Turning the Corner” in its November 19, 2008 Speech from the Throne, instead stating its intention to “work with the provincial governments and our partners to develop and implement a North America-wide cap and trade system for greenhouse gases.”

Alberta’s oil sands are a key sector because they contribute nearly half of the projected 24% increase in Canada’s GHG emissions between 2006–20 under business-as-usual conditions.³ The “Turning the Corner” proposal placed minimal obligations on new oil sands operations until 2018 as a result of provisions called “pre-certified investment credits” and “cleaner fuel standards,” which would have allowed projected emissions from the oil sands to nearly triple between 2006–17. In 2018, new oil sands facilities and coal-fired power plants that had started operations in 2012 or later were to face “targets based on carbon capture and storage” (CCS). But this would *not* have been a requirement to use CCS; instead, firms would have chosen to buy offsets if that was less expensive, as seems likely.⁴

The “Turning the Corner” proposal has been widely criticized in Canada, mainly for its across-the-board use of intensity targets, its complex set of compliance options and exemptions, and the low emissions price that it would be likely to produce. Four of Canada’s provincial governments — a group covering nearly three-quarters of Canada’s population — have opted to pursue cap-and-trade options instead of relying on the federal proposal, and currently participate as full partners in the Western Climate Initiative (WCI).

2. Canada’s GHG targets fall short of what the science requires, are not reflected in law, and will not be met with currently proposed policies

The Government of Canada has set two targets to reduce total national GHG emissions: 20% below the 2006 level in 2020, and 60–70% below the 2006 level in 2050. Recalculated relative to the internationally recognized base year of 1990, these targets are equivalent to:

- 3% below the 1990 level in 2020
- 51–63% below the 1990 level in 2050.⁵

It is notable that these targets are not a binding legal commitment, since they are not expressed in either regulations or legislation. Furthermore, the government’s own economic modelling analysis shows that its currently proposed policies are far from adding up to emission reductions that would reach the 2020 target.⁶

To avoid dangerous climate change, widely defined as a global average temperature increase of 2°C relative to the pre-industrial level, industrialized countries including Canada need to reduce their

³ Environment Canada, *Turning the Corner: Detailed Emissions and Economic Modelling* (Ottawa, ON: Government of Canada, 2008), 42. Also available online at http://www.ec.gc.ca/doc/virage-corner/2008-03/pdf/571_eng.pdf.

⁴ For a more detailed analysis of “Turning the Corner,” see Clare Demerse and Matthew Bramley, *The March 2008 Federal Regulatory Framework for Industrial Greenhouse Gas Emissions* (Drayton Valley, AB: The Pembina Institute, 2008). Also available online at <http://climate.pembina.org/pub/1614>.

⁵ Recalculation of these targets relative to the 1990 level is based on a 21.8% increase in Canada’s GHG emissions between 1990–2006, as reported in Environment Canada’s latest *National Inventory Report*.

⁶ Demerse and Bramley, 6.

GHG emissions to 25–40% below the 1990 level by 2020 and 80–95% below 1990 by 2050.⁷ At the December 2007 UN climate conference in Bali, Parties to the Kyoto Protocol agreed to negotiations on a post-2012 global climate agreement guided by the science-based target range of 25–40% reductions by industrialized countries below the 1990 level by 2020.⁸

As it stands, Canada’s national targets fall far short of an adequate contribution to the global effort to prevent dangerous climate change. Unfortunately, the government has consistently ruled out any public purchases of GHG credits from developing countries (e.g., under the UN’s Clean Development Mechanism), thereby closing the door to an obvious way of strengthening the targets.

A December 2008 study found that with a strong cap-and-trade system or carbon tax, Canada could feasibly reduce its net GHG emissions to 25% below the 1990 level by 2020 (this would consist of domestic reductions to 17–19% below the 1990 level, with international reductions used to achieve the remainder of the target). The study, which used an economic model widely used by Canada’s federal and provincial governments, found that Canada’s GDP would continue to grow at a rate of 2.0% per year while reaching this target (compared to 2.2% in a business-as-usual scenario), and over a million net new jobs would be created.⁹

All three of the opposition parties represented in Canada’s House of Commons support stronger targets for national GHG reductions than the government does. In June 2008, these three parties voted unanimously in support of a bill (the *Climate Change Accountability Act*) that set science-based climate targets for Canada. (While the bill passed through all legislative stages in the House of Commons, it had not yet received approval from the Senate when Parliament was dissolved for the 2008 election.)

3. Canada’s federal climate spending is not adequate to the scale of the challenge, and is far lower in per-capita terms than that of the U.S.

Shortly after taking power in 2006, the government of Prime Minister Stephen Harper opted to cancel or not renew several existing spending programs for climate change, renewable energy and energy efficiency. After a year of delay, most of these programs were re-instated under new names and with slightly different policy goals.

The Harper government has now tabled four annual budgets, and climate spending has grown slowly since the 2006 cutbacks. Over the 2006, 2007 and 2008 federal budgets, the government increased the sums committed to GHG reductions to about \$C 2 billion per year. However, it is questionable whether major components of this spending are intended primarily for the purpose of GHG reductions. For example, it may be more appropriate to view the tax credit for transit passes (over

⁷ Sujata Gupta et al., “Policies, Instruments and Co-operative Arrangements,” in B. Metz et al., eds., *Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge, UK and New York, NY: Cambridge University Press, 2007), 776. Also available online at <http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-chapter13.pdf>. The IPCC’s analysis applied to stabilization of the atmospheric GHG concentration at 450 parts per million of CO₂e. This corresponds to about a 50% chance of limiting average global warming to 2°C relative to the pre-industrial level.

⁸ UNFCCC Secretariat, *Report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its resumed fourth session, held in Bali from 3 to 15 December 2007* (FCCC/KP/AWG/2007/5), 5. Also available online at http://unfccc.int/files/meetings/cop_13/application/pdf/awg_work_p.pdf.

⁹ M.K. Jaccard and Associates, *Preliminary Report — Exploration of a policy package to reduce Canadian greenhouse gas emissions 25% from 1990 levels by 2020, December 3, 2008* (Vancouver, BC: MKJA, 2008).. Also available online at <http://climate.pembina.org/pub/1740>.

\$200 million per year) and subsidies for ethanol production (\$120 million per year) primarily as tax reduction and agricultural subsidy programs, respectively, as the expected emission reductions associated with these programs are very small.¹⁰

What has been at best a slight increase in federal climate spending clearly fails to match the standard established by the independent Commissioner of the Environment and Sustainable Development, who called in 2006 for a “massive scale up of efforts” from the federal government to combat global warming.¹¹

In its 2009 budget, the Government of Canada continued the trend of only modest increases in its spending effort on GHG reductions by announcing only about \$C 1.7 billion of new spending over two years on “clean energy” (including CCS) as part of its economic stimulus package. Even on a per capita basis, this is about five times less than the green energy portion of President Obama’s American Recovery and Reinvestment Plan of January 2009.

4. The Harper government has been widely criticized for its stance in international climate negotiations

Since 2006, Canada has been singled out for criticism of the positions it has taken at international climate negotiations. The 2007 UN negotiations held in Bali were particularly notable in that regard: the chair of the Intergovernmental Panel on Climate Change, the lead UN official (Yvo de Boer) and national negotiators criticized Canada’s role during the talks.¹² In addition, then-Environment Minister John Baird found himself virtually isolated in the final session at Bali for his opposition to a target range of 25–40% GHG emission reductions below 1990 levels in 2020 for industrialized countries, a position that Canada reversed under international pressure.

That criticism continued into the summer of 2008, when an open letter signed by many of Canada’s most prominent and respected climate scientists noted: “We are concerned that the pace with which action is being taken in Canada does not reflect adequately the urgency of the threat.”¹³ Prominent Canadian climate scientists again voiced their concerns during the federal election in 2008, releasing a sharply-worded letter that noted: “In the last two years, Canada has obstructed international efforts designed to develop policies to deal with global warming.”¹⁴

At the 2008 UN climate talks in Poznan, Poland, Canada again faced frequent criticism for its positions, including in a statement at the outset of the conference from South Africa’s Minister of

¹⁰ The Commissioner of the Environment and Sustainable Development recently confirmed that the federal government’s transit pass tax credit “will have a negligible impact on Canada’s greenhouse gas emissions.” See Commissioner of the Environment and Sustainable Development, “Managing Air Emissions,” in *December 2008 Report of the Commissioner of the Environment and Sustainable Development to the House of Commons* (Ottawa, ON: Office of the Auditor General of Canada, 2009), 2. Available online at http://www.oag-bvg.gc.ca/internet/docs/parl_cesd_200812_01_e.pdf.

¹¹ Commissioner of the Environment and Sustainable Development, “The Commissioner’s Perspective — 2006,” in *2006 Report of the Commissioner of the Environment and Sustainable Development to the House of Commons* (Ottawa, ON: Office of the Auditor General of Canada, 2006), 11. Also available online at <http://www.oag-bvg.gc.ca/internet/docs/c20060900ce.pdf>.

¹² See Matthew Bramley, “Canada and the Bali Roadmap,” *Behind the Headlines* 65, no. 1 (2008): 20. Also available online at <http://climate.pembina.org/op-ed/1583>.

¹³ From *An Open Letter on Climate Change Science to all Canadian Elected Government Leaders* (June 2008), available online at <http://www.climateactionnetwork.ca/e/issues/letter-climate-science-06-2008.html>.

¹⁴ Open letter from climate scientists to the leaders of Canada’s political parties, released on October 7, 2008. Available online at <http://www.site.climateletter.org/>.

Environmental Affairs and Tourism, Marthinus Van Schalkwyk. Minister Schalkwyk noted that Canada (along with Australia, Russia and Japan) has “avoided putting their numbers on the table for too long. They now need to come forward with credible and ambitious mid-term targets.”¹⁵

Canada finished in second-last place in last year’s Climate Change Performance Index, which is based on countries’ emissions trends and GHG reduction policies. This placed Canada behind the U.S. and ahead only of Saudi Arabia among the world’s top 57 GHG emitters.¹⁶

¹⁵ South African Ministry of Environmental Affairs and Tourism, “Media Statement on the current round of climate negotiations in Poznan, Poland,” news release, December 2, 2008. Also available online at <http://www.deat.gov.za/NewsMedia/MedStat/2008Dec3/FOR%20IMMEDIATE%20RELEASE02122008.pdf>.

¹⁶ Jan Burck, Christoph Bals and Simone Ackermann, *Climate Change Performance Index 2009* (Bonn, Germany: Germanwatch and Climate Action Network Europe, 2008). Also available online at <http://www.germanwatch.org/klima/ccpi09.pdf>.