

Paving the Way for National Climate Change Leadership: Provincial and National Actions in Canada



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It is now clear, given Canada's Speech from the Throne in October 2007, that Canada will be unable to meet its Kyoto targets in the 2008–2012 commitment period.¹ Canada finds itself a staggering 33% above its target, a reality that the federal government suggests is due to inaction on greenhouse gas (GHG) emissions reduction over the last decade.² Of all Annex I Parties, Canada was the fifth largest emitter of GHGs in 2004, behind the United States, the Russian Federation, Japan, and Germany.³ Looking at the International Energy Agency reports on carbon dioxide (CO₂) emissions to allow comparability across all nations, Canada's total CO₂ emissions were 548.59 Mt in 2005, the seventh highest out of 136 nations, behind the four Annex I nations mentioned above and China and India.⁴ Canada ranked 10th in per-capita CO₂ emissions, being surpassed by Qatar, Kuwait, Bahrain, Luxembourg, United Arab Emirates, Netherlands Antilles, the United States, Australia, and Trinidad and Tobago. Most of the increases in Canada's GHG emissions since 1990 have been in the energy industry and transportation sectors, particularly the rapid rise in energy exports to the United States. In 2005, net emissions associated with these exports increased 162% over 1990 levels.²

Past political action or inaction aside, Canada finds itself in an increasingly untenable situation.

Past political action or inaction aside, Canada finds itself in what many regard to be an increasingly untenable situation. On one hand, as a country in the Northern Hemisphere, it will go through a higher degree of temperature change than anywhere else globally, with impacts for the Arctic and Canada's forestry, agriculture, fisheries, health, and tourist industries. On the other hand, along with Norway and Australia, Canada is one of the few Organisation for Economic Co-operation and Development (OECD) member nations that relies strongly on energy exports for its economic growth. While there is, and continues to be, a healthy potential for continued growth in "cleaner" forms of energy, much of that revenue is the result of an astonishing growth in oil sands development in Alberta that, for now, appears to be progressing with no end in sight. Alberta's oil sands represented 46% of all domestic oil output in 2006 and forecast to represent 80% of production by 2020.⁵

PROVINCIAL AND NATIONAL LEVEL ACTIONS National Framework

This past year, Canada launched its Regulatory Framework for Air Emissions as the basis for a national strategy to reduce GHG emissions 60–70% by 2050, with a 20% reduction by 2020.⁶ Companies will have an emissions-intensity reduction target based on an improvement of 18% per unit of production over the next three years. Each year after that, industry will have to achieve a further 2% improvement in emissions intensity.



The framework's compliance tools will be key to ensuring the integrity of the reductions. One of the biggest variables is the climate change technology fund, which allows industry to meet its emissions reduction commitments by contributing to a technology fund at the rate of \$15 (Canadian dollars) per CO₂-equivalent ton for 2010–2012 and \$20 per ton starting in 2013. For the proposed fund to pass the “credibility” test, it must clearly ensure that any investments will return real reductions by a concrete date. The same issues of uncertainty arise with other components of the compliance mechanism. Canada, for example, has yet to establish any offset protocols so the extent to which we can be assured that such investments will support real and significant reductions is still up in the air, so to speak. While the federal government is supporting a full allowance-based domestic emissions trading scheme, it has severely limited industry's participation in international emissions trading—access to the Clean Development Mechanism (CDM) is limited to 10% of an entity's targets and only certain types of CDM activities will qualify.

Moreover, joint implementation or greened assigned amount unit (AAU) credits⁷ through allowance-based emissions trading is not an option open to industry. One other major and potentially significant unknown is the treatment of new facilities, especially power plants. An initial three-year “grace period” will be provided for such installations, with an emissions intensity-based target to then be determined “based on cleaner fuel standards”. Whether, for example, in the case of utilities, we are talking about a clean coal, natural gas, or the use of carbon capture and storage as the standard, will make a huge difference in determining the overall effectiveness of this framework. For many, there is serious doubt about the plan's ability to meet these reductions and questions have arisen about whether the federal government is overestimating the amount of GHG reductions that could result through the framework. While there is some uncertainty regarding the national framework, the federal government remains committed to providing guidance and leadership on the issue in coming months.

Western Climate Initiative

Questions persist as to the scope, timing, and implementation of a national regulatory framework. In addition to the commitments championed by the federal government, provinces and territories have begun to take the lead on developing policies that could provide models for future national and international efforts. British Columbia, for example, took a major step forward by introducing a bill to legislate 2020 and 2050 targets in the Greenhouse Gas Reduction Targets Act announced in November 2007. The legislation makes the province the first to institute a hard cap on emissions, setting an ambitious commitment to reduce GHG emissions by 10% below 1990 levels by 2020, equivalent to 33% below 2007 levels.⁸ The cap will be part of a regional cap-and-trade system being developed through the Western Climate Initiative (WCI), an initiative that includes the participation of five western U.S. states and Manitoba. As a high-profile participant in WCI, British

Columbia is using the initiative as the reference point for its ambitious actions in cap-and-trade as well as tail pipe standards, landfill gas development, and low-carbon fuel standards. To this end, British Columbia is also on track to adopt California's tailpipe emissions standards for vehicles and the state's low-carbon fuel standards, requiring a reduction of at least 10% in the carbon intensity (i.e., from well to wheel) of its transportation fuels by 2020. Expect stronger targets from Manitoba tied to its role in the WCI in coming months as well. The province will introduce new legislation setting out Manitoba's target, and is set to adopt the California's tailpipe emissions standards. Other provinces may jump on board with WCI, as Saskatchewan, Ontario, and Quebec are all now official observers of the initiative.

RGGI and Other Regional Collaborations

Any emissions trading market formed as part of WCI could likely be linked to the Regional Greenhouse Gas Initiative (RGGI), a mandatory cap-and-trade program being planned by a group of 10 eastern U.S. states (*Editor's Note*: See news story on page 41). RGGI plans to limit emissions to current levels beginning in 2009, and make incremental reductions to achieve a 10% cut by 2019. While only set to cover CO₂ emissions from power generation, in many respects, RGGI can be thought of as a demonstration project to show how a broader cap-and-trade program might work. Ontario has



This conference is conducted by the Water Environment Federation (WEF) in partnership with the Air & Waste Management Association (AWMA), and in cooperation with the Arizona Water & Pollution Control Association (AWPCA).

expressed interest in RGGI and a number of other provinces, including Quebec and several Maritime Provinces, are official observers of RGGI.

A third regional initiative that has brought provinces on board is the Conference of New England Governors and Eastern Canadian Premiers Climate Change Action Plan, which aims to focus on regional collaborations to reduce GHG emissions by 10% under 1990 levels by 2020. Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland have been active partners in the plan. Another collaboration between several provinces and states is The Climate Registry, which formed in 2007 to develop a common GHG reporting system to help support various reporting and reduction policies of members using consistent and verified data infrastructure. Quebec, British Columbia, Saskatchewan, and Manitoba have all recently joined The Climate Registry.

Other Provincial Initiatives

Several other provinces have begun to develop a response as well. Alberta's 2007 regulation of large emitters makes it the first province to limit GHG emissions intensity for large emitters by setting a 12% emissions-intensity target for all large facilities. Ontario's Renewable Energy Standard Offer Program, a first for North America by introducing feed-in tariffs to provide small electricity generators with a standard pricing regime, supports the province's target of doubling its renewable energy capacity in coming years. Quebec has also stepped up in a big way. Its recently announced carbon tax involving levies on gasoline, diesel fuel, light heating oil, and coal is currently being implemented, representing a levy of approximately \$3–\$3.50 per ton emitted. The tax is expected to raise \$200 million per year to fund provincial efforts to reduce emissions and is one of 24 measures announced in Quebec's climate change plan to achieve Kyoto targets of emissions reductions of 6% below 1990 levels in 2012, which also includes creating a new building code by 2008 to improve energy efficiency by up to 25% and regulating vehicle fuel efficiency to California standards. Quebec is the only province to seriously consider a tax on carbon emissions. Similar to the value that RGGI holds for demonstrating how a cap-and-trade program could work at the larger level, Quebec's experience with implementing a tax on carbon emissions will show how broader tax systems could work.

Canadian business is also increasingly vocal on the subject with the Canadian Council of Chief Executives releasing a report in October 2007 calling for a national action plan that would see government, businesses, and individuals working in concert to make real reductions in GHG emissions.⁹

A WAY FORWARD FOR CANADA?

The United Nations climate change negotiations in Bali in December 2007 demonstrated the urgency that now drives climate change actions at regional, national, and international levels and provides an indication of the scale of reductions that may be required. For countries like Canada, the 25–40% reductions by 2020 noted in the

Bali Action Plan¹⁰ signify potentially substantial reductions in coming years. A report from the National Round Table on the Environment and the Economy reiterates this, suggesting that a transition to a low-emission future for Canada is achievable only with market-based policies, such as an emissions tax, a cap-and-trade system, or a combination of the two that puts a price on carbon and sends an economy-wide signal to achieve deep, long-term GHG emissions reductions.¹¹

Ultimately, reducing Canada's GHG emissions to a level that is consistent with international agreed upon targets requires a coherent and comprehensive national policy and the right signals to industry to act. But what the provinces have demonstrated is that they too can enact strategies and plans that may ultimately pressure the federal government into taking stronger actions. At the recent Council of Federation meeting in New Brunswick, Canadian Premiers focused their annual meeting on energy and climate change. While there was agreement in many areas, including renewable energy and energy efficiency, and a strong show of commitment and leadership on climate change, divisions still persist, particularly relating to the creation of a national cap-and-trade system. The meeting's success, however, was to begin building the necessary political momentum to develop a shared vision for energy in Canada and a shared commitment to reduce GHG emissions and address the impacts of climate change. With this in mind, we strongly urge Canada's federal government to initiate a process that complements and provides national direction to the emerging action at the provincial and regional levels and sets Canada in the right, sustainable direction. **em**

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