

**Presentation**  
**Legislative Committee on C-30**  
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Thank you Mr. Chair. I, along with my colleagues in the Climate Action Network, welcome this opportunity to talk about the contribution emissions trading can make to the cost effective reduction of greenhouse gas emissions.

I will divide my comments between the need for the Clean Air Act to support the potential for international and then domestic emissions trading.

Let me begin by restating what everyone here says they accept but which I sometimes don't think everyone truly appreciates. Before long – within the lifetime of our children – the Earth will warm at least two degrees.

It doesn't sound like much. But don't be fooled. It is a calamity. An environmental crisis. An economic disaster. A health care tsunami. At least, if met with continued to half-measures and indifference, it will be.

In truth, I am among those whose appreciation of reality nevertheless still leaves me optimistic. I believe we can make a huge difference and find great new opportunities – in the long term AND in the short term.

Now, I know that everyone here understands the importance of global warming. And I know that everyone here *says* that they *now* accept the virtue of that science.

But here is what I don't understand – and with some reluctance, I must direct my comments in this respect to the government members in particular. IF you accept the science of climate change. IF you accept that as humans we are making the problem far worse. IF you know that what costs one dollar to fix now will cost five dollars to fix in the future. Then how can you possibly reject the idea of doing everything reasonably possible to take action right now. How can you logically and intellectually rationalize doing less than what you know to be necessary and you realize is possible? There is a massive gap in logic taking place.

And for me, the inexplicable resistance to Canada's full participation in both an international and domestic emissions trading system is the perfect example of this gap in logic.

Refusing to take note of the fact that the worldwide carbon market is worth \$20B and growing is simply impossible to rationalize.

Refusing to acknowledge that trading markets are being established in the New England States, Chicago, California and the European Union and Canada is missing out is simply impossible to rationalize.

Refusing to acknowledge that it was, in large part, the use of emissions trading that allowed us to deal with Acid Rain is simply impossible to rationalize.

Canada – and Canadian business is missing out on a huge opportunity.

So let me make three points in support of why Canada's policymakers must urgently ensure the Clean Air Act and the accompanying Notice of Intent to Regulate Industry employs an emissions trading system.

First, we need an international trading system because the problem we face – call it carbon pollution – doesn't care a whit for national borders. Climate change is like no other environmental problem: reducing emissions at home will not change the climate at home as it will when you cut smog or acid rain pollution. For the security of Canadians and our environment, Canada has a vested interest in ensuring that greenhouse gas reductions occur both at home and abroad. Like all other problems that are transnational in nature, we need a transnational approach. We need an international system of emissions trading to address the international reality of climate change.

The second – and I believe by far most important, or at least most logical reason – is that we won't make substantial progress until we employ the financial incentive of the business sector. When will we surely make progress? When businesses can make money from not polluting. And trading is all about that. Canadian companies that operate globally can generate credits through their business activities as part of day-to-day operations. These credits don't need to be purchased; they are generated: SNC Lavalin, Alcan, Inco and TransAlta are just four examples of Canadian companies, operating internationally that can benefit in this way. Companies like these can generate credits through project-based changes that lead to fewer greenhouse gas emissions being generated than original project designs may have anticipated. These credits are assets on the books of Canadian companies and can be used to meet domestic targets or be sold to generate revenue.

If we're making carbon scarce, then we're making carbon valuable. Look at the practical experience. It tells you this is working. The Clean Development Mechanism has more than 1.8 billion tonnes of potential credits for projects in the pipeline. More than 500 projects are already registered valued at 740 Mt to the end of 2012. Thirty-two million tonnes of credits have already been issued and 37 Mt are waiting for approval for projects completed. More than 110 methodologies are completed with more in development.

For what that means for Canadian business, look no farther than down this table – to the experience of TransAlta. They've purchased credits for \$2-\$3/tonne are now worth \$10 or more a tonne. Guess what? The value of carbon is only set to increase, meaning the

financial incentive is to keep emissions down and hold onto those credits. They become a financial reserve.

Those who argue that we should not let business offset emissions by simply buying credits don't get it. The way we incentivize business to lower their emissions is by putting them in a market where they can make money from keeping emissions low. If it works for precious metals, it will work for carbon. A final point in this argument: the Prime Minister has argued we need to engage not only the United States but emerging high growth economies such as China, Indonesia, Brazil and India in the fight against global warming. Good enough. The fact is that the surest way of engaging these nations is through an emissions trading system. So why would we oppose it?

My third argument is that an emissions trading system – as proposed under the Kyoto Protocol – could become one of the largest sources of international development for emerging economies and the poorest of the poor. International trading mechanisms like Joint Implementation and the Clean Development Mechanism have an important role in driving emissions reductions and introducing new job-creating technologies in developing countries. In fact, I would also argue that Canada has foreign policy interests for also participating in the carbon market, particularly where a low-carbon project contributes to international development objectives, applies a Canadian technology, improves Canada's international competitiveness, expands trade or otherwise advances our national interest as in cutting greenhouse gases and other pollution affecting Canada through atmospheric transport.

In summary, we cannot hope to take full and concentrated action on climate change – at the international level or employing the self-interest of business or delivering new benefits to the developing world – unless we wrap our arms around the concept of emissions trading.

Canada may deprive Canadian business of these opportunities because it is not building the infrastructure needed to register these tradable units. A domestic target for industry that allows participation in the international mechanisms, but that does not include a Canadian registry for recording international transactions will deprive our economy of business development and international reduction opportunities. Government must address this issue urgently.

The price of international credits and allowances provides an important price discovery benchmark that we can use to assess domestic approaches whether industry led or by governments. Clearly, existing technologies can deliver reductions at prices ranging from \$10 - \$25/tonne. It makes one wonder why a tax free transit pass at \$2,000/tonne would be an acceptable government expenditure, while business claims that anything over \$15/tonne requires a switch to long-term technology solutions.

Driving companies to invest in these existing technologies requires an absolute cap to the Kyoto target level with a price assurance mechanism of at least \$30/tonne as the Pembina Institute recently proposed. Government must resist industry demands for a weak near-

term target with over-reliance on a Technology Fund to generate hot air credits for long-term R&D. Such fraudulent arrangements undermine true price discovery and if current proposals by industry and under consideration by government proceed, emissions from the oil sands could increase 180-300 percent over the next decade while emissions intensity improves 16 percent, a worsening intensity improvement trend than in the previous 10 years. Worse, proposed targets for the oil sands are lower than what is considered technically achievable leaving oil sands operators potentially in a position to meet weak targets and to sell carbon credits.

Industry proposals and Government of Canada analysis of target options and emissions trends resulting from these target options must be transparent and must be reviewed by third party stakeholders, and this Legislative Committee, before regulations are finalized.

In short, I say to everyone here that we have an obligation to push politics aside and do the smart thing. We need to urgently put in place tough new transparent targets for business to lower emissions. And we need to match that with full participation in an emissions trading system that will financially reward business for lowering their emissions.

Nothing else makes even a whit of sense.

Thank you.