

**Statement by John Drexhage,
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to the House of Commons Standing Committee on
Environment and Sustainable Development**

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Mr. Chairman,

Allow me to thank you and the other members of this committee for the opportunity to speak on the topic of climate change, the Kyoto Protocol and Canada's position and profile within the international climate change community.

However, first off, allow me to directly address the question that is the basis of these current enquiries: can Canada actually meet its Kyoto commitments as Bill C-288 requires? Well, yes and no. It all depends on the scope of actions this government would be willing to consider. To clarify what I mean actually requires a bit of a history lesson.

Having had the privilege of being a core negotiator at Kyoto I would like to share with this committee the dynamics of those talks in 1997. The "end game" of these negotiations revolved around two critical issues—quantitative emission limitation or reduction targets, and the use of flexible market mechanisms as a means of delivering on those targets.

Those two very issues had been defined and identified through recent successes in other environmental initiatives in which the U.S. had played a leading role—ozone depletion and acid rain. Under the Montreal Protocol, and its consequent amendments, the identification and acceleration of legally established targets for the reduction of ozone depleting substances proved to be an enormous success, with developed countries first having demonstrated that these targets could easily be met and then with other countries eventually coming on board. This despite "expert" economic projections of economic ruin to communities across the U.S. if its government were to agree to strong reductions.

Secondly, the seminal case of sulphur dioxide emissions or acid rain—while there are many now who claim authorship on the idea, the notion that pollutants could actually be commoditized and traded to mitigate costs came out of the U.S. in the late 1980s and early 1990s and, again, proved to be a huge economic success with reductions as much as 10% of the original cost.

And again, it was the U.S. in the climate change negotiations that pushed on both issues—it was at their insistence at CoP 2 in 1998, in Geneva, that countries would need to agree to "legally binding" targets. And it was the "Umbrella Group" of countries—led by the U.S., but strongly supported by

Canada, Australia and New Zealand—that insisted on the inclusion of flexible market mechanisms as a means of reaching those targets. Far from a “made in the EU” pact, the Protocol and its elaboration in the Marrakesh Accord actually reflected North American preferences for a target-based approach using market mechanisms as a means to meet those objectives.

In other words, Canada agreeing to a -6% target was predicated on two key variables—the U.S. committing to reductions of -7%, and Canada enjoying access to the Kyoto Mechanisms as a cost-effective means of reaching those targets. Since then, of course, we are more than aware that those two parameters have significantly changed. The Bush Administration made it clear that it had no intention of joining the Kyoto family. And international credits became a hotly contentious issue in Canada, with some powerful industry interests and environmental groups both, in my view unfortunately, characterizing such international investments as wealth transfers for no real environmental gain. The debate constantly revolved around whether -6% could ever be reached with these new realities, with the result that concrete actions to begin reducing our emissions constantly made their way to the “back burner” of the climate policy debate. And everyone here is culpable—the debate raged not only between political parties, but between the provincial and federal governments, between industry and environmental groups and even between departments within the federal government. The result? Close to 10 years after Kyoto and we still don’t have a coherent plan.

So to return to the central issue of Bill C-288—could Canada actually reach its target even without a full plan in place at such a late date? Yes, but it would require robust participation in the international carbon market. Does that mean Canada buying so called “hot air” from Russia? In my view, no. There is no reason why Canada could not purchase credits through discrete project-based activities that show real reductions and also help support the export of clean Canadian technologies. Domestic reductions alone, to which this current government is committed, would simply not be in place soon enough to make the kinds of reductions that would be required.

But most importantly, in my mind, we should not continue to be transfixed by the question of the target. It is needlessly politicizing the debate about what actually can be done and delaying Canada from taking the meaningful actions that are required by us and the rest of the globe.

That became abundantly clear the last two weeks in Nairobi. While there was no “meltdown” in the negotiations and, in fact, we saw good progress in the elaboration of an adaptation work program for vulnerable developing countries, progress on a post-2012 mitigation regime—one which would also see some form of commitments on the part of major emitting developing countries—proved to be disappointing.

And small wonder, if you look at this from the perspective of China, India, Brazil or South Africa. The Secretariat for the Convention and the Protocol reported that only six industrialized countries are actually on track in meeting their reduction commitments and so we could hardly say at this point that we are showing leadership in reducing emissions, which is required by OECD countries both in the Convention and the Protocol. At the same time, we need to keep in mind that we live in a very different world from the Framework Convention of 1992 or even the Kyoto Protocol of 1997. While poverty is still all too prevalent in these major developing countries, there is no doubt that they are quickly becoming major global economic powerhouses—and that at the level of industry and other commercial enterprises, they are very much our competitive peers and are developing quickly, perhaps too quickly for their own environmental and social good. The question is how much leadership can we in the developed world show in reducing our emissions without compromising our competitive positions to these growing economies?

All very interesting issues, but the problem is that we can hardly afford to wait before we sort out who should act first. Allow me to provide but two more omens that have recently come to light—the Intergovernmental Panel on Climate Change will soon be reporting in its Fourth Assessment Report that the ocean’s acidification rate, as a result of global warming, is taking place at a much faster pace than originally thought. On the other side of the picture, China’s emissions are rising much more rapidly than previously forecast with the International Energy Agency predicting that China will be the world’s largest greenhouse gas emitter already by 2009, a full 10 years earlier than what it had predicted a few years back.

The situation calls for innovative approaches. One of the most significant events at the conference in Nairobi was the presentation by Sir Nicholas Stern at the second round of the Informal Dialogue on long-term cooperative action to enhance implementation of the Convention. It was significant by what he had to say—namely, that the costs of addressing climate change, which critically MUST include a

robust global carbon market, pale in comparison to the human, environmental and economic costs of not taking actions. He also pointed out that deforestation continues to play a massive role in the atmospheric GHG budget, with close to 20% of our annual emissions the result of these activities. This is an area that needs to be as much a part of the solution as energy.

And it was significant by the fact of who was saying it: a preeminent economist, formerly the chief economist for the World Bank. If we are to effectively solve the climate change quandary, the solution lies much beyond the world of environmental negotiators. Most importantly, it lies with the world's financial and investment decision-makers, at all levels, from the community banker in Bangladesh to finance policy advisor in Ottawa to the international broker in London. IISD's late and esteemed Senior Fellow, Konrad von Moltke, who worked tirelessly in the field of trade, investment and the environment, would regularly say to me: "John, Kyoto is above all an investment, not an environment, treaty." I am only beginning to appreciate the wisdom of this insight.

And that means that the scope for addressing climate change lies well beyond the parameters of the Framework Convention or the Kyoto Protocol. These two instruments are very important vehicles in addressing the climate change threat and we need to appreciate that they represent much more than targets. The targets helped to place a value on carbon but, one could argue, just as importantly, they established the international policy architecture for addressing climate change, from methodologies for how we count, verify and report our emissions, including biological sequestration activities, to developing work programs for adaptation, and establishing the rules for the operation of the "so called" Kyoto Mechanisms. Talking with U.S. and Australian state officials, it is also clear that even if their countries hadn't ratified the treaty, Kyoto definitely operated as a catalyst for these countries to address climate change more seriously than they otherwise would have done. These are significant accomplishments that must be noted and appreciated.

That said, neither should we fall in the trap of regarding them as the be all and end all of addressing climate change—clearly they are not and require the support of a wide range of other international forums and strong national actions. The recently convened G-8 "Plus Five" group, which provides a forum for the G-8 to have discussions on climate change with China, India, South Africa, Brazil and Mexico, outside of the formal framework of the climate change negotiations, is a primary example of what I'm talking about. And of course, there is also the Asia Pacific Partnership on Clean

Development and Climate, which this government has indicated it is interested to join. As a complement to the UN bodies, the AP6 can make a positive contribution—its emphasis on a sector approach, with industry at the table with governments, could provide some useful lessons. IISD would be interested to work with the government to ensure that Canada’s participation would work to broaden and deepen actions that promote development in clean, sustainable directions.

In closing, Minister Ambrose in her intervention at Nairobi noted that Kyoto has become a source of division within Canada—sadly, too often that has been true, but I would argue that the fault for that lies less with the treaty itself, and more with the atmosphere of acrimony that has existed for quite some time among a range of interest groups within Canada. Ultimately, successfully addressing this grave and present threat means an evolution in understanding what “national interests” truly signify—acting responsibly for the sake of the environment and our children. I believe Canadians are ready and impatient to face the challenge; it is time for politicians of all stripes to demonstrate the same resolve in a constructive spirit.

Thank You, Mr. Chairman.

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