

# Canada and Climate Change: Where to now?

A Round Table Discussion

An IISD Commentary

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First of all, I would like to thank you, Mr. McGuinty, for extending an invitation to IISD to participate in a discussion on this very timely issue. I also note that we have a wide range of perspectives on this panel, and look forward to a constructive discussion on Canada's opportunities and challenges in addressing climate change. For this intervention, I will be focusing on what has transpired globally on climate change post-Copenhagen, and in particular in the U.S., and provide some reflections on Canada's role in that context.

First I would like to share some perspectives in the aftermath of the climate change conference in Copenhagen, held in December 2009. In my commentary, "Copenhagen: A memorable time for all the wrong reasons?" I suggested that, despite the fact that the negotiation process is in a very precarious state, the Copenhagen Accord, if properly elaborated and implemented, could serve as a legitimate basis for going forward. Though it is incomplete, some key elements disappeared between the penultimate and final drafts and it does not enjoy unanimous support by all Parties, the Copenhagen Accord does explicitly recognize several objectives, including not exceeding a global temperature rise beyond 2 degrees centigrade and committing \$100 billion annually to developing countries by 2020. Also, for the first time, we have an agreement in which both developed and major developing economies are submitting descriptions of actions and/or commitments they are taking to reduce their greenhouse gas emissions.

However, I have to say I am not exactly heartened by how things have transpired since the Copenhagen negotiations. A group of countries commonly referred to as ALBA ( Bolivian Alliance for the Peoples of our America), which includes Venezuela, Bolivia, Ecuador, Cuba and Sudan, are bent on their own particular vision of reality in these negotiations. They wish to exclude the private sector from playing any meaningful role in addressing climate change. ALBA appears to be committed to continuing its disruptive ways and is hosting an alternative climate change conference later this spring.

On January 24, 2010, the major developing economies, or BASIC countries (Brazil, India, China and South Africa), met in New Delhi to discuss the best strategy for moving forward. While they reaffirmed their commitment to the Copenhagen Accord, they also made it clear that it was not a "stand alone" document and needed to be fully integrated into the two-track negotiations on future commitments under the UNFCCC. Insisting on full integration within the UNFCCC process, however, presents at least two formidable problems. First, the current state of affairs, where a relatively small group of countries can hold the rest of the world hostage, whether it be by OPEC or ALBA countries, has brought us perilously close to complete paralysis. We are heading down the same track as the WTO and, unless we can fix it this year, we may find ourselves with yet another critical multilateral process hitting a dead end. Second, in the two-track negotiations, developed countries who have ratified the Kyoto Protocol (namely all developed countries except for the United States) are expected to inscribe their targets under a legally binding regime, complete with

binding consequences for non-compliance, while major emitters like the U.S. and China would sign on to their targets under a regime that looks far less stringent. All developed countries adamantly oppose such an approach, while developing countries appear to be just as committed to supporting it. Again, we face a situation where we cannot even get out of the gate in addressing the substantive issues—it is all about protocol and process it seems.

The unfortunate part about that is, while we were transfixed by all the commotion around the process, something odd was occurring on the substantive issues: after two-plus years of negotiations, we actually saw real progress on key substantive issues, including reduced emissions from deforestation and degradation (REDD), agriculture, financing, adaptation and technology transfer. And don't forget the all major economies agreeing to list their commitments under one agreement.

While all of this shows some promise, the follow-up so far, particularly on mitigation actions, has been disappointingly weak. Countries were asked to submit their targets for inscription under the Copenhagen Accord by the end of January and it is evident that most countries have decided to be extremely cautious in their commitments. Amongst developed countries, with the exception of the E.U.'s target of 20 per cent reductions below 1990 levels by 2020, all Parties submitted conditional targets, either on domestic legislation, as in the case of the U.S., or on complementary actions by other countries. The Government of Canada made its target contingent on U.S. actions and legislation, while other governments simply stated their actions would be premised on the establishment of a fair and effective international framework. Amongst major developing countries, we see China once again “drawing its line in the sand” by insisting that their actions remain fully voluntary and autonomous and not subject any “intrusive international oversight.” China, like India, actually makes no reference to the Copenhagen Accord in its submission. The most notable exceptions to these submissions come from South Africa, Indonesia and Brazil, who not only strongly associate themselves with the Copenhagen Accord, but also appear to be committed to taking some serious actions on the mitigation side that would be subject to international review. We could all follow their example.

On the multilateral side, I would suggest that we stay focused on the substantive issues that have good prospects of succeeding and use those successes as an impetus for renewing Parties' confidence in the broader process. This is not the year to try and reach conclusions on the legal character of the future regime—let us first see what we can agree to substantively and then figure out the more difficult deep process issues. Approaching this from the other way is doomed to failure.

The other major development is what is transpiring in the United States. By now, virtually every informed observer of the issue in the U.S. sees no room for any comprehensive cap-and-trade system being brought into legislation this year. Realistically, this means that, should the

congressional elections transpire as most expect, we will not see any cap-and-trade system put in place for at least the next three years. The three champions of a cap-and-trade system in the Senate—Senators Kerry, Graham and Lieberman—are looking at alternatives, such as a less ambitious package that would only cover utilities initially, but the general sense appears to be that, while some clean energy bill may pass through the Senate, it is not likely to have significant regulatory bite.

We should not, however, fool ourselves into thinking that the U.S. is not taking actions to address climate change. It is, in three critical areas. First, the Environmental Protection Agency (EPA) has identified greenhouse gases as a public endangerment and, as such, is required to develop regulations to control those emissions. The first area it is examining is mobile sources, which covers passenger vehicles and light trucks. The EPA should be able to impose more stringent fuel efficiency standards for 2016 by late March 2010. The EPA is also required to develop regulations for any new stationary sources of greenhouse gasses, but developing a cap-and-trade system for current installations may in fact be more problematic, not the least because regulations for a cap-and-trade system do not make for an easy fit under the Clean Air Act. Furthermore, Republican Senator Merkowski has introduced to the floor a motion to bar the EPA from addressing greenhouse gas emissions. While the chances of the motion actually succeeding are slim (it has to pass through the Senate and House of Representatives, and even then would likely be vetoed by President Obama), it represents yet one more impediment to any sort of aggressive actions by the EPA.

Second, we still have our regional initiatives, particularly the West Climate Initiative, which has five U.S. states and four Canadian provinces as participants. They are still committed to meeting their self-imposed deadline of coming out with their cap-and-trade system and other actions later this year, and they clearly have an opportunity to show some much needed leadership on this issue in North America. Other regional initiatives are also very much alive and it is with these groups that we will likely see the most action in North America on the cap-and-trade and even carbon taxation side.

The most noteworthy development in January has been the Obama Administration's indication that, while a cap-and-trade system may not be with us in the short term, he is still very much committed to addressing climate change as part of the jobs and energy security agenda. The proposed U.S. budget is seeking to offer considerable incentives for a transition to a low carbon future, to the tune of US\$75.6 billion. I have those incentives available in a short brief that I can provide each of you with today. Activities will be focused on the development and rapid expansion of renewable technologies, biofuels and nuclear power, and the removal of subsidies for fossil fuel sectors and is estimated to bring a total of US\$38 billion back into the federal purse over this decade. In addition, the U.S. is providing over US\$2.5 billion to developing countries to help them prepare for climate change and take advantage of clean energy and sustainable land practices.

It is in this area of policy incentives and the removal of perverse subsidies that the Canadian government should focus. While a tough regulatory package may be too onerous given our strong economic and energy relationship with the U.S., the fact that the U.S. is pushing its clean energy in other ways should mean serious consideration of those options on this side of the border as well. The feed-in tariff program recently adopted in Ontario is an example, as is Alberta's support for the deployment of CCS technologies. The Canadian government should consider expanding its support for these activities, not in direct subsidies along the lines of the just-concluded stimulus package, but in the form of smart policies that steer the Canadian economy in the right direction. Subsidy reform, particularly for fossil fuels and many first-generation biofuels, would also play a role in addressing our current deficit challenges. It is also one of the key elements identified for follow up at the next G-20 session, which Canada will be hosting later this spring.

Climate change is clearly going to be at the top of the agenda for both the G-8 and G-20 summits and I believe that the Canadian government has an opportunity here to play a constructive role in making sure we can build off the Copenhagen Accord. However, it must show more serious intent domestically first, including the provision of significant funding of climate change for developing countries. The budget, of course, represents the perfect opportunity to launch a serious commitment to clean energy and a sustainable future for Canadians. To do so would only reflect where the rest of the world's major economies are going. One of the pre-eminent themes at the World Economic Forum's annual meeting in Davos this year was the continued exponential growth in renewable and clean energies in all major economies. China, for example, in the span of a few years, is now the largest supplier of wind energy materials. It is estimated that the government poured US\$440 billion last year into the development of clean energy technologies.

We are a nation blessed with massive natural energy resources, and I am not for a minute suggesting that we should turn our back on this fundamental fact of our economy. What I am suggesting is that we do need to more intelligently manage these resources, particularly as a nation. Climate change is but one, albeit significant, element of this broader energy dialogue. Provinces, of course, need to be full participants in such a discussion—but we need to develop a coherent and compelling vision of our future together. I would suggest that it should be launched by no less than a fully public First Ministers' Conference. All Canadians need to be part of this vital dialogue. We can no longer afford to wait. Also, keep this in mind: the longer we take in reducing our emissions, the more disruptive and sudden the transition that will be required for all involved at a later date. So, by prevaricating today, not only are we asking our children to face greater climate change impacts, we are also asking them to pay a higher price in reducing future greenhouse gas emissions. The longer we wait, the more we will have to reduce in a much shorter period of time.

Thank you