

Kyoto is here. What now?

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By David Runnalls

Yesterday the most complex environmental agreement ever negotiated came into force. Canada and other countries who agreed to the Kyoto Protocol are now subject to its targets and rules.

Canada has committed to reducing its greenhouse gas (GHG) emissions to six per cent below 1990 levels by the years 2008 to 2012. However, we have a long way to go. After a decade of limited federal action on the issue, we have actually seen our emissions increase by 20 per cent over 1990 levels. This means that meeting our Kyoto target now is a bigger, but not impossible, challenge.

Yesterday, Prime Minister Paul Martin took a bold step in his speech in Montreal. He announced that Montreal will play host to the 11th Conference of the Parties (COP 11) to the United Nations Framework Convention on Climate Change. This will bring a travelling circus of up to 10,000 delegates, journalists, NGOs and companies to the city. And it will turn the international spotlight on Canada's own Kyoto performance, thereby putting his own Ministers' feet to the fire. We will get some indications of this government's commitment to Kyoto in next week's budget but there have been ominous rumblings from Stéphane Dion that the full plan will not be available for "weeks." Let us hope that Mr. Martin speeds up that timetable.

There is general agreement in Ottawa that this has been one of the worst managed files in recent history. On the domestic action front the Canadian Government, for a variety of reasons, has been unsuccessful in introducing policies or programs that have achieved any reasonable measure of success in reducing GHG emissions. Measures introduced in the Climate Change Action Plan 2000 were intended to deliver 80 megatonnes (or one third of our total target at the time) of GHG emission reductions annually for five to 10 years. Current estimates of the total annual reductions delivered are approximately 18 megatonnes. Time is running out to get a properly designed, equitable plan in place that will achieve significant reductions domestically.

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Here in Manitoba, Premier Gary Doer has long recognized that meeting our Kyoto obligation represents new economic opportunities and he has taken a leadership role in promoting Kyoto provincially and nationally. Manitoba's hydroelectric resources should be expanded and connected to an East-West power grid to allow provinces like Ontario and Saskatchewan to phase out coal-fired power generation plants thereby reducing emissions and, also

providing improved air quality and health benefits to the smog-bound cities of Southwestern Ontario.

In addition, the West needs to seize on the momentum of Kyoto to pursue new opportunities in biofuels such as ethanol or biodiesel, green power and new agricultural and forestry techniques to increase the carbon content of soils. Any new plan emerging from the federal government will have to focus on these options for reducing emissions. For example, Manitoba is already a national leader in the installation of geothermal heat source pumps and it is possible that incentives to support increased use of this and other similar technologies will appear in the coming budget.

Anyone who has stood at the corner of Portage and Main recently will agree that there is potential for the further development of wind energy across the Western provinces. Canada is well behind the United States and Europe in wind energy installations. The same is true with biofuels. Our European and American counterparts have been much more effective at developing ethanol and biodiesel industries. Canada has dramatically fallen short of targets for the production of biofuels, despite the promise that they hold for Manitoba's cash strapped farm communities.

Carbon sequestration, or locking carbon in soils or underground, could also deliver economic benefit to Manitoba. Pinawa is home to some of the top researchers in the country in this field. Keystone Agricultural Producers is also watching how carbon sequestration through improved farm management practices could be used to benefit individual farmers. Manitoba's forestry industry will also be a major sequestration player.

Yesterday brought about another significant development in the Government's plans to address meeting our Kyoto Protocol commitment in the appointment of Glen Murray as Chair of the National Roundtable on the Environment and Economy (NRTEE). The Prime Minister has requested the Roundtable specifically provide advice and recommendations on a long-term energy and climate strategy for Canada. NRTEE will have an influential role in determining how to engage the U.S. in future climate change negotiations; capitalize on economic, trade and technology transfer opportunities arising from the Protocol; link our domestic emissions trading system with international systems;

position Canada to be competitive in a carbon constrained world; and present options for new emission reduction targets beyond 2012.

Looking at the international "what now?" means ensuring the West takes advantage of economic opportunities likely to be developed through Canada's international actions to address climate change. As it is simply not possible to meet Canada's target through domestic actions alone we must turn to the "flexibility mechanisms" found in the Kyoto Protocol—the Clean Development Mechanism, Joint Implementation and International Emissions Trading. They must be part of the equation.

These mechanisms are part of the protocol because Canada has always known that domestic actions alone would not be enough to meet targets. Indeed, early in the Kyoto Protocol negotiations it was energy intensive industries and certain provinces that were the most vocal supporters of these mechanisms, while the European Union was the primary opponent. The great irony now is that those original supporters now declare these mechanisms poor investments offering little environmental benefit, and the EU has already inaugurated a continent-wide emission trading system.

Canada can realize numerous benefits from using the Kyoto Mechanisms in a considered manner, including:

- reducing the cost for Canada to meet its Kyoto target;
- signaling Canada's commitment to be an important player in the growing global carbon trading market;
- providing Canadian clean technologies with technology funding opportunities; and
- providing Canada with an opportunity to demonstrate global leadership, helping other countries experience, first hand, how climate-friendly investments can also complement and contribute to stable economic growth.

The fundamental rationale behind these mechanisms is simple. Climate change is a global problem and a tonne of reductions in CO₂ anywhere in the world has the same effect. Therefore, the Protocol provides incentives for investors to pursue the lowest-cost reductions. Thanks to Kyoto, greenhouse gases now have an international economic value and, therefore, a market for

trading. This creates an opportunity for governments and the private sector to seek the most economically efficient means to achieve a desired environmental goal—greenhouse gas emission reductions.

For businesses and governments in the West, the mechanisms represent new market opportunities for the distribution of cutting edge technologies related to energy efficiency, fuel switching, agriculture, and transportation. Naturally there are also risks associated with these mechanisms but by maintaining the highest standards possible when accessing the mechanisms risk can be properly managed.

International Emissions Trading has the potential to be corrupted by what is referred to as “hot air” in which a country like Canada could completely meet its targets by simply purchasing excess credits from a country like Russia, which has a huge amount of surplus emission credits available as a result of its moderate target and collapsing (but now recovering) economy. Canada has stated quite clearly that it is opposed to using “hot air.”

Instead the government should pursue Green Investment Schemes. A Green Investment Scheme earmarks revenues collected in International Emissions Trading for environmentally-related or emission reduction purposes in the seller countries. A well-functioning GIS could ensure that revenue generated through the sale of emission permits is not misused and instead is spent on projects that will provide long-term benefits at the local, national and international level. For example, we have a real interest in the success of the new government of President Yuschenko in Ukraine. We could purchase credits from that government in exchange for assurances that they would be used in repairing leaking gas pipelines (natural gas is 21 times more potent as a greenhouse gas than CO₂), thus achieving real emissions reductions. And guess who is better at repairing natural gas pipelines than anyone else? Canadian companies. So we have Canadian money helping improve the economic viability of Ukraine, reducing emissions and generating jobs and export opportunities for Canadian companies.

While much remains unknown about the Canadian Government’s Kyoto Protocol plans, the recent signs—hosting COP 11, the NRTEE appointments—from the Prime Minister’s Office should help to dispel

any notions in Canada, particularly amongst industry, that the federal government is not serious about meeting its Kyoto commitments. However a credible plan covering large final emitters, the transportation sector, consumer behaviour and green investments overseas must be launched as soon as possible.

Last week Tony Blair hosted a conference bringing together the latest scientific research on climate change. The results were pretty sobering. We may have only one or two decades to stop the concentrations of CO₂ in the atmosphere from reaching dangerous levels. Kyoto is just a baby step toward the ultimate goal of a low-carbon economy. Once we get our own plan in place, we need to work out what happens next. And here Canada could play a leadership role in designing a framework to bring the United States and the fast growing developing countries such as China and India into the emissions reduction framework.

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