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September 30, 2016

The Honourable Catherine McKenna, P.C., M.P.
Minister of Environment and Climate Change
Environment and Climate Change Canada
200 Sacré-Coeur Boul., 2nd Floor
Gatineau, Quebec
K1A 0H3

Dear Minister McKenna:

The Canadian Chamber network recognizes climate change as a pressing issue of crucial importance to Canada's environment and economy, and has been following - supportively - the work of the Pan-Canadian Framework on Clean Growth and Climate Change. At our recent AGM, our chair Duncan Wilson of the Port of Vancouver reiterated the Chamber network's commitment to tackling climate change in his inaugural speech.

"Everyone here agrees this is a battle we need to win. Not just for ourselves, but for countless generations to follow us. It's an enormous challenge - perhaps the biggest we've ever faced. And it won't go away by itself. We - all of us Canadians - are in this fight."

Establishing a predictable and consistent economic framework that enables investment confidence will be crucial to ensuring that Canada's climate policy effectively drives innovation and change.

The Canadian Chamber, our Natural Resource and Environment Committee, and a number of our members have offered input either through the Let's Talk Climate Change web portal or at the in-person consultations hosted by federal-provincial working groups. As you prepare to meet with your provincial and territorial counterparts at the Canadian Council of Ministers of the Environment to discuss options for a the Pan-Canadian Framework on Clean Growth and Climate Change, we wanted to take this additional opportunity to put forward four principles for your consideration.

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1. Transparent and rigorous economic analysis of options

Any plans for mitigating carbon emissions, either through carbon pricing or alternative means, should be accompanied by rigorous economic analysis that clearly articulates the expected emissions reductions to be provided by each measure, the associated cost to the economy, and the outlay of public funds needed to enact the measure. Providing open access to this analysis, as well as the data and assumptions it draws from, will ensure that government decisions are transparent and well-founded. The release of the Pan-Canadian Framework working group reports will be an important step towards transparency.

2. Exploit the power of the market

The Canadian Chamber has supported carbon pricing as the most efficient means of reducing greenhouse gas emissions since 2011. We applaud you for favoring a market-based approach over potentially more onerous and costly regulations in your many public communications on this issue. However, simply layering a carbon price over a regulatory regime would result in a system that adds costs for business without giving them the flexibility to respond innovatively. When choosing a carbon price, you must also choose to trust the power of market forces to transform the economy. A carbon pricing regime ideally would be paired with a commitment by the federal government to reduce or avoid additional regulation.

3. Focus on the outcomes, not the tools

The Chamber network believes that the federal government's priority should be reducing GHG emissions at the lowest cost. Governments should create the incentive to reduce emissions while granting businesses the flexibility to find the best means. The focus should be on the outcome – lowering emissions – and not on whether a particular policy tool is widely adopted. Provinces and territories should retain the flexibility to reduce GHG emissions in the manner that makes the most sense for their economies.

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4. Protect the Competitiveness of Canadian business

As you are well aware, climate policies that simply push investment to other jurisdictions would be of no help to the environment and would have a serious impact on the competitiveness of the Canadian economy. This is clearly a worst-case scenario for all Canadians. Accordingly, action to preserve Canada's competitiveness is crucial to the successful implementation of climate policies. We have three suggestions in this regard.

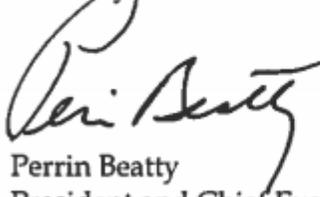
First, revenue collected from carbon pricing mechanisms should facilitate businesses' transition to a lower carbon economy – it should not be used as an opportunity to finance other government priorities. This could mean providing rebates to emission intensive trade exposed industries, or to support the development of technologies to facilitate further GHG reductions. Furthermore, the allocation of revenue should be objective and transparent.

Second, improving energy efficiency is one of the most effective climate policies, and by lowering costs, it will improve the competitiveness of Canadian business. The use of a carbon price to incentivize energy efficiency measures is important, but not always sufficient. Small businesses account for almost 98% of all Canadian enterprises and often lack the information or capital needed to make investments in energy efficiency. Carbon pricing policies should be supplemented by other measures to help small businesses get the information and capital needed to make effective choices that will lower costs as well as greenhouse gas emissions impacts.

Last, as Canada moves ahead, it will put Canadian businesses at a disadvantage to firms operating in jurisdiction with no carbon price. Canadians are committed to moving our climate policy forward, so we must push others forward as well. All of our diplomatic tools must be aggressively deployed to either protect the Canadian economy from jurisdictions that do not price carbon, or to get those jurisdictions to match Canada's leadership on climate issues.

Thank you for your consideration. We wish you and all of Canada's Ministers of the Environment luck as you embark on your discussions this October.

Sincerely,



Perrin Beatty
President and Chief Executive Officer

cc.

Corrine Boone
Chair, Canadian Chamber Natural Resource and Environment Committee
Managing Director, Environmental Services Group

Hon. Mary Polak, M.L.A.
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Government of British Columbia

Hon. Shannon Phillips, M.L.A.
Minister of Environment and Parks and the Minister Responsible for the Climate Change Office
Government of Alberta

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Hon. Glen Murray, M.P.P.
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Government of Ontario

Hon. David Heurtel, M.N.A.
Minister of Sustainable Development, Environment and the Fight against Climate Change
Government of Quebec

Hon. Serge Rousselle, M.L.A.
Minister of Environment and Local Government, and Attorney General
Government of New Brunswick

Hon. Margaret Miller, M.L.A.
Minister of Environment
Government of Nova Scotia

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