

Climate Change

Canada has reached an important juncture in the development of climate change policy at the domestic, North American and international levels. Canada and Canadian business must ensure that its voice is heard and that it participates in the development of these policies.

Continued uncertainty regarding future climate change policy brings significant environmental and economic risks for business including the potential for increased protectionism among our trading partners. Recent activities from other stakeholders such as the National Round Table on the Environment and the Economy (NRTEE) point to a growing consensus in Canada that we need to address climate change for environmental and competitive reasons.

It is important that the federal and provincial governments act decisively and in a coordinated manner to produce a Canadian solution that will address these concerns. There will need to be a shift in the way energy is produced, delivered and consumed while respecting capital investments already made. A thoughtful, comprehensive energy and climate policy will help to secure economic prosperity and provide opportunities for Canadian business to innovate and succeed. We recognize that achieving emission reductions and complying with provincial and national carbon constraints will not be free of costs. Internationally, the United States is our main trading partner and any Canadian climate change policy will be most effective if it is compatible with their legislation and policy. The federal government has been working with the US through the Clean Energy Dialogue and we encourage them to continue with this. As well, we support the Canadian Government's commitment to develop a GHG emissions pricing policy that is compatible with upcoming US legislation and policy.

In 2009, the United States signaled climate change was a high priority internationally through the UNFCCC and Major Economies Forum (MEF) and made it clear that they were moving forward on climate policy: the Environmental Protection Agency (EPA) had begun the process of regulating emissions of carbon dioxide and legislation was re-introduced in Congress with the Administration, key members of Congress and leaders of business indicating a clear preference for a market-based approach as a major element. Unfortunately, these processes have slowed and it is quite possible that no real progress will happen this year.

Canada must continue to develop its own climate policy that works for Canadians and works towards the federal government's stated goal of aligning with the US with a GHG reduction target of 17% from 2005 levels by 2020. While remaining compatible with US policy will be essential, we can proceed with targeted actions and with the development of a Canada-wide carbon pricing system.

Canada is a major trading nation and a major exporter of energy and resources. As far as domestic action is concerned, any solutions to respond to the challenges of climate change cannot ignore trade concerns and measures undertaken by our major trading partners. They must catalyze changes in consumer behaviour and ensure that all sectors of society share the burden, in an equitable way while recognizing a number of critical issues for Canada:

- The reality that fossil fuels will remain a major source of energy for many years for most countries.
- Inter-provincial wealth transfer is a significant issue.
- Federal/provincial relations and jurisdictions must be respected while moving towards one national system for GHG mitigation.
- The need to focus on both near-term emission reductions and on the advancement of technology for larger future reductions.
- Any international obligations that Canada takes on must be based on solid domestic programs that ensure we can meet our obligations.

- Recognition that Canadian circumstances, namely Business as Usual (BAU) emissions in 2020 relative to 2005, are quite different than those of the US. A 17% reduction from 2005 is a much more stringent target for Canada, requiring a much greater effort at emission reductions than it is for the US.

The Canadian Chamber of Commerce supports the development of an international agreement on climate change that includes all major economies and major greenhouse gas emitters. While the 2009 Copenhagen climate change conference failed to reach consensus, the Copenhagen Accord represents a step forward in bringing the largest economies together in developing a long-term agreement on climate change. The UNFCCC has been the primary forum for these discussions but the G8/G20 and the Major Economies Forum can play important roles in bringing the largest economies together to advance an agreement towards a low carbon economy.

There must be a balance between addressing climate change, which includes the advancement of clean energy development, and other global priorities such as poverty, disease eradication and economic development. Since many developing countries are struggling to provide even the most basic necessities to their citizens, a global approach to addressing climate change will require innovative financing mechanisms to ensure their participation in climate action.

Finally, any plan to address climate change must recognize that consumers have a vital role to play in reducing Canada's emissions of greenhouse gases.

Recommendations

That the federal government:

International Climate Change Framework

1. Ensure that any international agreement reached for the post-2012 frame work adheres to the principles of common but differentiated responsibilities:
 - For developed countries, commitments must be realistic, achievable, and differentiated to reflect national circumstances. They must be comparable and based on an objective set of criteria
 - All major greenhouse gas emitting countries, including advanced developing countries, must have agreements ensuring the inclusion of measurable, reportable and verifiable commitments.
 - Investment in development of low carbon emission technologies must be recognized as a valid contribution and part of national commitments.
2. Take serious steps to adapt to changing climate conditions and their environmental, economic and social impacts and encourage all other countries to take similar actions.
3. Ensure that any future framework:
 - facilitates the scale-up of research, development and demonstration of clean energy technologies through new financial mechanisms and international cooperation
 - Protects intellectual property rights, as any measures to weaken these provisions will run contrary to efforts aimed at technology innovation and cooperation.
4. Explore the potential of using international sectoral cooperation:
 - as a tool for agreements in technology diffusion,
 - in determining benchmarks for domestic actions and regulations , and
 - through the development of multi-project sectoral benchmarks to help prove additionality for domestic and international offset projects.

Domestic Climate Change Policy

5. Develop a national policy on climate change that addresses mitigation and adaptation. Use a market-based approach for climate change mitigation which includes a comprehensive carbon pricing system, coupled with cost containment measures applied consistently across the economy. An emissions pricing system must have the following characteristics:
 - Ensures the price stability needed for making long-term investments
 - Recognizes the realities of international competitiveness, ensures that Canadian businesses are not disadvantaged, includes an appropriate transition period, addresses the reality of capital stock turnover, and acknowledges the actions of our major trading partners in introducing a price for carbon.
 - Includes an economy-wide carbon pricing system with two distinct categories:
 - a downstream system that would cover large stationary sources (basically industrial facilities) and
 - an upstream system to cover other emissions such as transportation fuels, residential and commercial use of natural gas
 - Ensures that any sector whose emissions would not be captured by the emissions pricing system will be covered by other policies and programs in order to achieve a comparative level of effort and cost.
 - Includes a solid accounting system with a robust infrastructure that is compatible with those of Canada's major trading partners.
 - Includes the compliance option of payment into a technology fund.
 - Includes the option of recycling the carbon charge or levy from technology funds within the industry and jurisdiction in which it originates to develop technology and infrastructure to reduce greenhouse gas emissions at the source.
 - Includes domestic offsets from those sectors of the economy not covered by pricing and international offsets that will be defined through regulation and that can help Canada meet its international obligations.
 - Includes provisions for cost containment (e.g. ceiling price, floor price, and/or strategic offset reserve) to minimize financial risk and provide investment certainty.
 - Ensures that any border adjustment tax is WTO compatible (i.e. the least chance of being manipulated to the detriment of Canadian exporters if imposed by other trading nations), transparent, predictable and that will have the least tax liability and administrative burden on Canadian businesses.
 - Where a foreign jurisdiction does not impose a domestic carbon tax, includes the ability for Canadian exporters to claim (like the GST) a quantifiable carbon tax rebate to maintain our competitiveness in that market.
6. Recognize the vital role played by consumers and create complementary policies that include price signals for consumers and other measures to change consumer behaviour such as the use of lower-carbon fuels, lower-carbon transportation technologies and systems, and improved energy efficiency in buildings, industry and appliances.
7. Encourage the use of public-private partnerships to provide capital for the support of low- and zero GHG-emitting technologies without interfering with market conditions.

8. Continue to work with the United States through the Clean Energy Dialogue on the development of clean energy science and technologies to reduce greenhouse gases and combat climate change.
9. Work to make the Canadian emissions pricing system compatible with other pricing systems around the world, including ensuring that:
 - As the United States develops its own emissions pricing system, the Canadian price on carbon emissions and the associated burden is linked to it to create a North American common signal to industry and consumers in both countries
 - An emissions pricing scheme is included in the comprehensive economic cooperation negotiations between Canada and the European Union.
 - If Canada adopts a common carbon pricing system with the US and European Union, an agreement is reached with those parties that will exclude Canada's exports of goods and services from any "border tax adjustments" which they may impose.
10. Recognize efforts already undertaken by many corporations to reduce emissions over the last few years.