



# EVALUATING GOVERNMENT PLANS AND ACTIONS TO REDUCE GHG EMISSIONS IN CANADA:

## Federal Progress through June 2016



**ACW** | Adapting Canadian Work and Workplaces  
to Respond to Climate Change



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# Evaluating government plans and actions to reduce GHG emissions in Canada: Federal progress through June 2016

AS PART OF THE "EVALUATING GOVERNMENT PLANS AND ACTIONS TO REDUCE GHG EMISSIONS IN CANADA" ACW RESEARCH PROJECT.

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The project investigates how Canada’s diverse workplaces can best adapt work to mitigate greenhouse gases, and the changes needed in law and policy, work design, and business models for industry and services, to assist the “greening” of workplaces and work. Adapting Canadian Work and Workplaces to Respond to Climate Change: Canada in International Perspective (ACW).

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# Foreword

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This working paper is the first of three preliminary reports being produced for the ACW's Domestic Policy Working Group, which is investigating Canada's evolving domestic climate policy landscape. These three preliminary reports—addressing Federal Government action, provincial government action, and domestic labour policy in Canada—will be integrated into a final report in spring 2017.

The preliminary reports take as their starting point the working group's baseline report, which was completed in October 2015.<sup>1</sup> That report provides context on the current profile of greenhouse gas emissions in Canada as well as the suite of climate policies in place at the federal and provincial level through October 2015.

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# Introduction

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In stark contrast to the preceding decade of Conservative policy, the official Liberal Party platform for the 2015 federal election made climate change a central theme. In addition to major investments in clean energy and green infrastructure, the platform promised renewed cooperation with the provinces to establish a national strategy for transitioning to a low-carbon economy. Importantly, the platform assured Canadians that environmental protection was compatible with job creation and economic growth. Justin Trudeau's Liberal government, if elected, would leave behind "a country even more beautiful, more sustainable, and more prosperous than the one we have now."<sup>2</sup>

The Liberals were elected with a resounding Parliamentary majority in October 2015. Once in office, the Liberals immediately rebranded Environment Canada as Environment and Climate Change Canada. In his public mandate letter to the new Environment Minister, Catherine McKenna, Prime Minister Trudeau reiterated the government's commitment to meaningful action on climate change in collaboration with the provinces and international partners.<sup>3</sup> A month later, a large Canadian delegation led by McKenna not only attended the UNFCCC Paris Climate Change Conference but also successfully pushed for an aspirational global warming target of just 1.5°C above pre-industrial levels to be included in the Paris Agreement.<sup>4</sup>

In general, the new government's rhetoric on climate policy has been constructive and practical. Notably, the government has maintained its enthusiastic, pre-election support for climate change action even after taking office and in the face of strong economic headwinds. In public statements, Trudeau continues to promote global efforts to combat climate change<sup>5</sup> and actively champions Canada's governments as "leaders in this new, clean growth economy."<sup>6</sup>

Whether or not the new Federal Government is actually delivering on the rhetoric requires closer scrutiny. This preliminary report analyzes the government's progress on climate change policy during its first eight months in office. Section One provides background on the current trajectory of Canadian greenhouse gas (GHG) emissions in the absence of new policies. Section Two outlines two key climate policy documents signed by the new Federal Government—the Paris Agreement and the Vancouver Declaration—and discusses their significance. Section Three assesses federal action on climate change in the 2016 federal budget. The concluding section argues that the federal government has taken important steps in the right direction but that its actions so far are inadequate for meeting Canada's climate commitments in the long term.

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## Canadian emissions and climate policy context

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To avoid catastrophic global climate change, the international community has generally accepted that global warming must be limited to an increase of no more than 2°C above pre-industrial levels. The 2°C limit is somewhat arbitrary, but it provides a practical starting point for specific GHG emissions reduction strategies.<sup>7</sup>

Working backwards from the goal of 2°C, the International Panel on Climate Change (IPCC) predicts that roughly 1,000 gigatonnes of carbon dioxide equivalent (Gt CO<sub>2</sub>eq) can still be “safely” emitted into the atmosphere.<sup>8</sup> If Canada were to receive a share of this global “carbon budget” based roughly on our share of global GDP (2.1%) and/or global GHG emissions (1.6%) we would be allotted at most 20 Gt CO<sub>2</sub>eq (to meet the aspirational Paris target of 1.5°C, the global carbon budget is reduced to 400 Gt CO<sub>2</sub>eq of which Canada’s allotment would be just 8 Gt). In 2014, the latest year for which data is available, Canada emitted 732 megatonnes (Mt) of CO<sub>2</sub>eq.<sup>9</sup> At this rate, Canada will exhaust its 2°C carbon budget in 28 years (or its 1.5°C budget in just 11 years). As a further complication, Canada’s proven oil reserves, if extracted and burned, represent 91 Gt of CO<sub>2</sub>eq emissions and probable reserves amount to an additional 83 Gt CO<sub>2</sub>eq.<sup>10</sup> In other words, the vast majority of Canadian fossil fuel resources cannot be extracted and burned (using current technologies) without vastly overshooting Canada’s carbon budget.

Canadian governments at all levels recognize the threat posed by climate change and are actively implementing policies to mitigate emissions and adapt to environmental changes. However, as we noted in our baseline report, those policies tend to target the “low-hanging fruit” and avoid making difficult or transformative choices at the scale required, particularly with respect to fossil fuel extraction and consumption. Because of Canadian governments’ unwillingness to actively transition off of fossil fuels, we concluded that “while Canadian green policy is generally moving in the right direction, total GHG emissions continue to rise.”<sup>11</sup> Canadian policies so far have simply not been ambitious enough to reverse the trend of rising emissions. Indeed, Canada’s GHG emissions have increased 20% since 1990 and show few signs of slowing down.<sup>12</sup>

Recent research supports the assertion that, based on current policies, Canadian GHG emissions are not on track to decline. In a report published earlier this year, Environment and Climate Change Canada projects that emissions will increase by between 5% and 20% over 2013 levels by 2030, depending on the rate of economic growth.<sup>13</sup> The Office of the Parliamentary Budget Officer is slightly more optimistic about emissions because it is slightly more pessimistic about the economy. It projects Canadian emissions will be about the same in 2030 as they were in 2013 as weak GDP growth is offset by comparable declines in economy-wide emissions intensity.<sup>14</sup> Regardless of the assumptions different models make, it is clear that Canada is not on track to meet any emissions reduction targets without aggressive new policies. Canada’s carbon budget will be quickly exhausted at current rates.

To make matters worse, Canadian governments are pushing ahead with plans to significantly expand the extractive sector—particularly the Alberta oil sands and nascent BC liquified natural gas (LNG) industry—which is already a major source of GHG emissions in Canada. At the federal level, Prime Minister Trudeau has endorsed an “all-of-the-above” energy approach that sees new fossil fuel infrastructure as compatible with ambitious new climate policy.<sup>15</sup> This approach—sometimes referred to as “progressive extractivism”—is difficult to reconcile with either the scientific or economic evidence. New research published by the Canadian Centre for Policy Alternatives concludes that completing planned expansions to the oil sands and BC LNG while simultaneously meeting Canada’s GHG emissions reduction targets is “near-impossible without severe economic consequences.”<sup>16</sup> Indeed, if fossil fuel expansion proceeds as planned, the rest of the Canadian economy will have to reduce emissions by half below 2014 levels by 2030. Such a fundamental transformation of the economy in less than a decade and

a half is farfetched even for the most optimistic supporters of Canada's low-carbon transition.

Reducing GHG emissions in Canada is already an enormous challenge. If proposed expansions in fossil fuel infrastructure go ahead, it may well be impossible. With this context in mind, what commitments has the new Federal Government made that would push Canada onto a track of permanently falling emissions in the long-term?

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## Canada's Climate Commitments

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The new Liberal government promised an unprecedented course of action on climate change in its election platform. Among its most urgent promises was a commitment to attend the UNFCCC's 21st Conference of the Parties (COP21) in Paris in December and meet with the provinces 90 days later to produce a pan-Canadian framework for combatting climate change. True to its word, the new government attended COP21, which produced the Paris Agreement, and subsequently met with the provinces, which produced the Vancouver Declaration. The substance of these high-level documents is discussed here before turning to the specifics of the government's climate policies and programs.

### CANADA AND THE PARIS AGREEMENT

The Paris Agreement was completed in December 2015 and signed on April 22, 2016 by 177 nations, including Canada and every other major GHG emitter. The agreement itself is twelve pages long and divided into 29 articles that ask the parties to "strengthen the global response to the threat of climate change."<sup>17</sup>

Public response to the agreement has been mixed. Supporters have promoted the deal as an unprecedented achievement in multilateralism, in part because it covers all major emitters in a climate deal for the first time.<sup>18</sup> Critics worry that the non-binding nature of the deal means countries are not obligated to take their commitments seriously.<sup>19</sup> The Paris Agreement is largely aspirational, which is the main source of both praise and scorn. It contains bold pledges—including the goal of limiting global temperature increases to just 1.5°C above pre-industrial levels—but few tangible commitments. Key articles in the agreement are summarized in Table 1.



**Table 1: Selected goals and obligations in the Paris Agreement**

Goals	Obligations
<p><b>2.1(a)</b> Hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.</p> <p><b>2.1(b)</b> Increase the ability to adapt to the adverse impacts of climate change and foster climate resilience and low GHG emissions development, in a manner that does not threaten food production.</p> <p><b>2.1(c)</b> Make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.</p> <p><b>4.1.</b> Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century.</p>	<p><b>4.2.</b> Each Party shall prepare, communicate and maintain successive nationally determined contributions that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.</p> <p><b>4.9.</b> Each Party shall communicate a nationally determined contribution every five years.</p> <p><b>6.2.</b> Parties shall promote sustainable development and ensure environmental integrity and transparency when using [carbon-trading schemes] on a voluntary basis.</p> <p><b>7.9.</b> Each Party shall engage in adaptation planning processes and the implementation of actions.</p> <p><b>9.1.</b> Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation.</p> <p><b>12.</b> Parties shall cooperate in taking measures to enhance climate change education, training, public awareness, public participation and public access to information.</p> <p><b>13.7(a)</b> Each Party shall regularly provide a national inventory report of anthropogenic emissions.</p>

As the critics suggest, there are significant gaps between the goals of the Paris Agreement and its actual obligations. At least three problems are worth highlighting.

First, the agreement contains no emissions target. The 1.5°C goal is admirable, but the agreement does not specify what level of GHG emissions reductions is necessary to reach it. Past agreements, such as the Kyoto Protocol, specified the level of reductions that all parties were obligated to meet (typically measured in tonnes of CO<sub>2</sub> equivalent). Instead, the Paris Agreement asks each country to set its own target in the form of an intended nationally determined contribution (INDC) that is revised every five years. According to the international Climate Action Tracker project, even if all of the current INDCs were met, global temperatures would still rise by an average of 2.7°C by 2100.<sup>20</sup> In other words, individual countries’ emissions targets collectively exceed the global 2°C carbon budget that they have collectively agreed to.

Second, the policy obligations in the agreement are not measurable. Where the Paris agreement contains specific commitments, it sets a low bar for compliance because measurable outcomes for individual signatories aren’t included. For example, although developed countries collectively commit to providing significant climate financing to developing countries—the goal is US\$ 100 billion per year by 2020—the agreement does not specify a minimum contribution level for signatories. These kinds of

details are left to voluntary unilateral action or future international negotiations.

Third, the agreement contains no enforcement mechanism. There is no legal process to ensure parties meet their already weak obligations under the agreement. Article 13.11 creates a “facilitative, multi-lateral consideration of progress” to monitor individual countries’ efforts, but it is not binding. In practice, proponents hope that the scope and diversity of signatories will produce enough peer pressure to implement the deal.<sup>21</sup>

The Paris Agreement ultimately relies on the goodwill of its signatories to deliver on their promises and to increase their level of ambition over time. Consequently, while the agreement provides a positive and constructive framework for global action on climate change, it will not in itself change global climate policy enough to meet global targets.

For its part, Canada’s previous Federal Government provided the UNFCCC with Canada’s intended nationally determined contribution—a 30% reduction in GHG emissions below 2005 levels by 2030—in May 2015.<sup>22</sup> The Climate Action Tracker project rates this target as “inadequate,” which means that if all countries set a comparable goal the globe would be on track for an increase in temperatures of between 3°C and 4°C, which is well beyond the aspirational target of 1.5°C.<sup>23</sup> The new government has nevertheless adopted that target as its own with the promise that it will adopt more ambitious targets under the pan-Canadian climate framework.

## **THE VANCOUVER DECLARATION ON CLEAN GROWTH AND CLIMATE CHANGE**

The Federal Government met with the provinces in March 2016 to create a plan for meeting Canada’s international climate commitments, but that meeting did not produce the intended pan-Canadian framework for combatting climate change. Instead, the Federal and provincial governments produced the non-binding Vancouver Declaration and agreed to meet again in October to finalize the framework.<sup>24</sup>

The declaration itself is a brief, eight-page document that reiterates the Federal and provincial governments’ commitments to reduce emissions by transitioning to a low-carbon economy. Key articles in the declaration are summarized in Table 2.

**Table 2: Selected goals and obligations in the Vancouver Declaration**

Goals	Obligations
<p>Increase the level of ambition of climate policies.</p> <p>Promote clean economic growth to create jobs.</p> <p>Deliver GHG mitigation actions.</p> <p>Increase action on adaptation and climate resilience.</p> <p>Enhance cooperation domestically and internationally.</p>	<p>Convene working groups to identify options for action in four areas:</p> <ul style="list-style-type: none"> <li>• Clean technology</li> <li>• Innovation and jobs</li> <li>• Specific mitigation opportunities</li> <li>• Adaptation and climate resilience</li> </ul> <p>Advance the harmonization of energy efficiency standards across Canada and with North American partners.</p> <p>Engage Indigenous peoples and the public in developing the pan-Canadian framework on clean growth and climate change.</p> <p>Meet in fall 2016 to finalize the pan-Canadian framework and implement it by early 2017.</p>

Like the Paris Agreement, the Vancouver Declaration contains many aspirational objectives and few binding obligations, which exposes it to many of the same criticisms. There are few measurable commitments and no enforcement mechanisms. Although the declaration acknowledges Canada’s INDC of 30% lower GHG emissions over 2005 levels by 2030, it does not set provincial targets or increase Canada’s overall ambitions to a level that might be considered adequate for meeting global targets.

The Vancouver Declaration differs from the Paris Agreement in its greater emphasis on economic growth as an integral component of a successful climate change plan. Indeed, one of the declaration’s primary purposes is to “grow our economy while reducing emissions,” which is not necessarily the purpose or likely outcome of effective climate policy. The compromise on economic growth reflects the conflicting priorities of the provinces and territories. Although some governments, especially the Federal Government, pushed for a national price on carbon and other concrete commitments in the Vancouver Declaration, several of the provinces, particularly Saskatchewan, opposed any serious obligations.<sup>25</sup>

Critics of the Vancouver Declaration describe it as a “plan to make a plan.”<sup>26</sup> It is left to the federal-provincial meeting in October to actually produce a tangible framework for pan-Canadian cooperation on climate change action. In the meantime, several governments are pushing ahead on their own measures to combat climate change. Federal Government initiatives since the election are discussed in the next section. Provincial government initiatives are the focus of the next paper in this series.

## FEDERAL GOVERNMENT PROMISES AND PROGRESS

The following tables compare the Federal Liberal Government's key climate-related election promises to their post-election actions. Table 3 compares non-financial regulatory or political commitments to subsequent government actions, and Table 4 compares funding and financing commitments to spending announced in the 2016 federal budget.

**Table 3:** Comparison of Liberal election platform promises and subsequent federal government actions

Liberal election platform promise	Federal government action
Attend the UNFCCC Paris Climate Change Conference (COP21).	Attended Paris Conference in December.
Meet with the provinces within 90 days of Paris to establish a pan-Canadian framework for combatting climate change.	Met with the provinces in March and produced preliminary Vancouver Declaration; actual framework to be finalized in October.
Develop North American clean energy and environmental agreement.	Signed non-binding MOU on climate and energy collaboration with the U.S. and Mexico in February; committed to the North American Climate, Clean Energy, and Environment Partnership in June.
Develop Canadian Energy Strategy in collaboration with the provinces.	To be discussed as part of pan-Canadian climate framework.
Establish national GHG emissions reduction targets.	Endorsed old government's target of 30% below 2005 levels by 2030; new targets to be included in pan-Canadian climate framework.
Modernize and diversify the National Energy Board to ensure environmental expertise and Indigenous input.	Modernization process underway. <sup>27</sup>

**Table 4: Comparison of Liberal election platform promises and subsequent federal budget spending commitments**

Liberal election platform promise	Federal Budget 2016
Create a new Low Carbon Economy Trust with an endowment of \$2 billion.	\$2 billion over two years, starting in 2017–18, to create Low Carbon Economy Fund.
Invest \$5.65 billion over four years (almost \$20 billion over ten years) in green infrastructure.	<p>\$5 billion over five years, starting in 2016–17, to invest in green infrastructure, including:</p> <ul style="list-style-type: none"> <li>• \$75 million to build capacity in municipalities to address climate change</li> <li>• Targeted investments in climate resilient infrastructure</li> </ul> <p>\$62.5 million over two years, starting in 2016–17, to Natural Resources Canada to support the deployment of infrastructure for alternative transportation fuels.</p>
Invest \$5.65 billion over four years (almost \$20 billion over ten years) in public transit infrastructure.	Up to \$3.4 billion over three years, starting in 2016–17, to create a new Public Transit Infrastructure Fund.
Issue Green Bonds from the new Canada Infrastructure Bank (CIB).	No action.
Invest \$100 million more per year in clean technology RD&D and commercialization.	<p>\$50 million over four years, starting in 2017–18, to Sustainable Development Technology Canada for the SD Tech Fund.</p> <p>\$82.5 million over two years, starting in 2016–17, to Natural Resources Canada to support clean technology RD&amp;D and commercialization activities.</p>
Invest \$200 million more per year in clean technology for the natural resources sector.	\$50 million over two years, starting in 2016–17, to Natural Resources Canada to invest in technologies that will reduce greenhouse gas emissions from the oil and gas sector.
<p>Improve efficiency standards for consumer and commercial products.</p> <p>Encourage investments in energy-saving retrofits.</p>	<p>\$128.8 million over five years, starting in 2016–17, to Natural Resources Canada to deliver energy efficiency policies and programs.</p> <p>Additional \$40.0 million over five years, starting in 2016–17 to integrate climate resilience into building design guides and codes.</p>
Review and introduce a fairer environmental assessment process.	\$16.5 million over three years, starting in 2016–17, to the National Energy Board, Natural Resources Canada and Transport Canada to implement interim environmental assessment approach (announced in January).
Phase out fossil fuel subsidies over the medium-term; start by restricting the Canadian Exploration Expenses tax deduction to unsuccessful exploration.	Extend the Mineral Exploration Tax Credit for an additional year at a cost of \$20 million over the 2016–17 to 2017–18 period.

Enhance existing tax measures to generate more clean technology investments.	Expand eligibility for the accelerated capital cost allowance to electric vehicle charging and electrical energy storage at a cost of \$19 million over the 2016–17 to 2020–21 period.
Establish Canada Research Chairs in sustainable technology.	\$20 million over eight years, starting in 2018–19 to create two additional Canada Excellence Research Chairs in fields related to clean and sustainable technology.
Set stronger air quality standards, monitor emissions and provide incentives for investments that lead to cleaner air.	\$345.3 million over five years, starting in 2016–17, to Environment and Climate Change Canada, Health Canada and the National Research Council to address air pollution.  \$109.1 million over five years, starting in 2016–17, to Environment and Climate Change Canada for science, data reporting, policy and regulations.

At a glance, the new Liberal government has faithfully delivered on the majority of its climate-related election promises. Virtually all of the domestic and international political initiatives promised by the government are already underway, and virtually all of the climate-related funding and financing promised during the election was provided in the federal budget. Overall, the breadth of climate change actions undertaken by the new government is laudable and consistent with public expectations. The depth of those actions, however, is mixed. There has certainly been more progress in some areas than others.

As promised in the Liberal election platform, the federal budget created a new Low Carbon Economy Fund with an endowment of \$2 billion, which will be used to support actions taken under the pan-Canadian framework. The clean technology sector received over \$1 billion in support (over four years) for research, development and commercialization. Two new Canada Research Chairs in sustainable technology were created and fully funded. The federal departments responsible for environmental assessments, energy efficiency standards, emissions monitoring, and other climate-related policies were provided with additional funding to expand their capacity and develop new regulations. Tax incentives for clean technology development were expanded.

The federal budget delivered on several other promised initiatives, although not at the promised level of funding. The \$3.4 billion over three years committed to public transit infrastructure fell short of the \$5.65 billion over four years promised in the Liberals' election platform. The actual amount allocated to green infrastructure in the budget, \$5 billion over five years, is much less than the \$5.65 billion over four years that was promised. Moreover, that figure includes millions of dollars for "alternative transportation fuels" infrastructure, which likely means infrastructure for biofuels like corn ethanol. Although biofuels are renewable and may prove useful in transitioning off fossil fuels, they are still carbon-emitting and have a very low energy return on energy invested (EROEI). In fact, when all indirect emissions associated with land use changes are considered, biofuels "can lead to greater total emissions than when using petroleum products."<sup>28</sup>

Diplomatic and political progress has been mixed so far. The new government successfully attended the Paris Conference, but the promise to establish a pan-Canadian framework for combatting climate change within 90 days of Paris has been delayed. The interim Vancouver Declaration, which was

produced at the federal-provincial meetings in March, is an aspirational and largely hollow document (see previous section). The Federal and provincial governments will meet again in October when they hope to finalize the framework. Implementation has been pushed back to 2017. Although these delays are not outright failures by the new government, they do pose real barriers to meaningful climate change policy in the short term. For example, the Liberals' election promises to establish a new Canadian Energy Strategy and a new set of national GHG emissions reduction targets are largely contingent on the finalization of the pan-Canadian framework.

Canada did succeed in negotiating a North American Climate, Clean Energy, and Environment Partnership (NACCEEP) with the U.S and Mexico in June,<sup>29</sup> which expanded on the aspirational memorandum of understanding that was signed by the three countries in February.<sup>30</sup> The new North American plan, like the Paris Agreement and Vancouver Declaration before it, includes laudable aspirations but few tangible commitments (see box).

## **Box: Evaluating the North American Climate, Clean Energy, and Environment Partnership**

Canadian Prime Minister Justin Trudeau, U.S. President Barack Obama and Mexican President Enrique Peña Nieto announced their North American clean energy partnership on June 29, 2016. The plan includes a suite of measures intended to advance clean energy development and energy security; to drive down short-lived climate pollutants; to promote clean and efficient transportation; to protect nature and advance science; and to show global leadership in addressing climate change.

The most important provision in the NACCEEP is a commitment to "strive to achieve a goal for North America of 50% clean power generation by 2025." As far as trilateral clean energy goals are concerned, this level of ambition is unprecedented. Yet the commitment is problematic for several reasons. Firstly, the language is clearly non-binding, so the target cannot be enforced. Secondly, the plan defines clean energy to include nuclear power, carbon capture and storage technologies, and energy efficiency gains, which many observers do not include under the "clean tech" umbrella.<sup>31</sup> Thirdly, the vast majority of Canada's power generation is already non-emitting, so this new target does not put significant pressure on Canada to further improve its clean energy profile.

Some of the plan's lesser ambitions may have the greatest impact in practice. Modest commitments related to regulatory harmonization (e.g. vehicle emissions standards), cross-border electricity infrastructure (e.g. smart grids), and clean technology adoption (e.g. clean government procurement) are eminently achievable.

Unfortunately, the North American plan is a missed opportunity for meaningful progress on carbon pricing. Although the NACCEEP recognizes "the role that carbon markets can play in helping achieve climate targets," it does not impose any obligation on national or sub-national governments. Interjurisdictional collaboration on carbon pricing significantly raises its efficiency by reducing competitiveness and leakage concerns.<sup>32</sup> At the very least, a strong signal from North American leaders may have encouraged sub-national governments to be more ambitious in adopting carbon pricing mechanisms of their own.

The new government has already violated one of its election promises. Despite committing to a phase-out of fossil fuel subsidies, the federal budget extended the Mineral Exploration Tax Credit for an additional year. A few promised initiatives, such as a plan to issue Green Bonds through a new Canada Infrastructure Bank, have not yet been pursued. The Liberals promised to "lead by example" in electrifying the federal fleet of vehicles and installing charging stations in federal parking lots, which is a process they have not yet begun.

The new government has announced some climate-related policy since the election that goes beyond

their platform promises. Notably, the government in November announced \$2.65 billion in climate financing for developing countries to be delivered by 2020. To that end, the federal budget committed \$61.3 million (over five years) to support continued Canadian engagement in international climate fora.

## WHAT ROLE FOR CARBON PRICING?

Unfortunately, in the absence of a comprehensive climate change plan, it is difficult to say what—if any—impact the measures announced by the new federal government will have on Canada’s overall GHG emissions. Researchers have long recognized that climate policies cannot be effective on a large scale if they are implemented in isolation, particularly if they are isolated from energy policies.<sup>33</sup> That is to say, addressing GHG emissions requires a comprehensive approach that both encourages low-emitting activities and discourages high-emitting activities.<sup>34</sup> The absence of disincentives for carbon-intensive activity is the biggest gap in the new Federal Government’s climate policies. Federal investments in public transit and electric vehicle infrastructure, although welcome and necessary, do not directly displace emissions from gas-burning vehicles.

There is a growing consensus among economists from across the political spectrum that the most effective and efficient tool for reducing overall GHG emissions is a strong price on carbon.<sup>35</sup> Legitimate criticisms remain. For example, carbon pricing may drive innovation in the technologies most cost-competitive in the short term, but not necessarily in the broad suite of technologies that will have the greatest emissions impact in the long term.<sup>36</sup> Nevertheless, in Canada, carbon pricing is likely the most cost-effective way to meet our emissions targets.<sup>37</sup> From an economic perspective, taxing emissions-intensive activities in the short-term should significantly reduce emissions as well as the long-term costs of climate change to the overall economy.

The Federal Government has acknowledged a role for carbon pricing in its climate change strategy but has hesitated to make firm commitments. The Liberal platform promises in the abstract to “put a price on carbon” but does not go on to specify how or when.<sup>38</sup> The Low Carbon Economy Fund announced in the federal budget is designed to *support* provincial carbon pricing schemes, but does not in itself create a carbon pricing mechanism. The Vancouver Declaration is even more vague. The promise to adopt “a broad range of domestic measures, including carbon pricing mechanisms, adapted to each province’s and territory’s specific circumstances” does not actually commit any Canadian government to implementing a stringent carbon pricing mechanism.<sup>39</sup> Beyond the carbon pricing initiatives already underway in some jurisdictions, Canada is no closer to establishing a nationally-harmonized price on carbon.



# Conclusion

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The new Federal Government's climate change rhetoric is encouraging. It acknowledges the severity of the looming climate change crisis and accurately focuses on the need for interprovincial and international cooperation to reduce greenhouse gas emissions. Indeed, the new government's climate change policies, as promised pre-election and as delivered since then, go well beyond any previous Canadian federal government in their breadth and depth. The scope of programs and regulations being developed to encourage the transition to a low-carbon economy are both meaningful and necessary and should be applauded.

Yet the government's bold climate change message belies a darker pragmatism. Rather than confront the root problem of fossil fuel production and consumption, Prime Minister Trudeau has endorsed an "all of the above" energy approach that views climate action as compatible with increased extractivism. Specifically, the government has expressed a belief that new oil infrastructure coupled with sweeping new free trade agreements will create the economic backbone to support a clean energy transition. The new government has failed, so far, to implement a national carbon pricing mechanism that would put downward pressure on emissions-intensive activities. Taken together, the Federal Government's encouraging support for clean energy is outweighed by its continued endorsement—both implicit and explicit—of fossil fuels.

In part, the Federal Government is waiting on the provinces. In the absence of a pan-Canadian framework to combat climate change there is only so much the Federal Government can do. The federal-provincial meetings in October offer an historic opportunity for Canada to get serious about the transition to a low-carbon economy by committing to a harmonized climate change strategy. The next preliminary report in this series, to be completed in advance of the October meetings, will investigate in greater detail the specific positions of the Canadian provinces.

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## NOTES

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<sup>1</sup> Hadrian Mertins-Kirkwood. (October 2015). Baseline Report on Domestic Policy. Adapting Canadian Work and Workplaces to Respond to Climate Change. Canadian Centre for Policy Alternatives and York University. <http://www.adaptingcanadianwork.ca/domestic-policy-baseline-report>.

<sup>2</sup> Liberal Party of Canada. (2015). Real Change: A New Plan for a Strong Middle Class. <https://www.liberal.ca/files/2015/10/New-plan-for-a-strong-middle-class.pdf>: p. 39.

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<sup>7</sup> Intergovernmental Panel on Climate Change. (2013). Climate Change 2013: The Physical Science Basis. <http://www.ipcc.ch/report/ar5/wg1>: p. 102.

<sup>8</sup> Predictions range from 750 Gt to 1500 Gt, depending on the scenario and the degree of certainty. Based on the IPCC's most up-to-date scenario, 1000 Gt CO<sub>2</sub>eq is the most that can be emitted for the world to have a 66% chance of staying within the 2°C limit. To have a 66% chance of staying within the 1.5°C limit only 400 Gt CO<sub>2</sub>eq can be emitted. In all cases, the "safe" carbon budget increases as the degree of certainty is reduced. See Intergovernmental Panel on Climate Change. (2014). Climate Change 2014: Synthesis Report. <http://www.ipcc.ch/report/ar5/syr>: p. 64

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<sup>13</sup> Environment and Climate Change Canada. (2016). Canada's Second Biennial Report on Climate Change. Government of Canada. <https://www.ec.gc.ca/GES-GHG/default.asp?lang=En&n=02D095CB-1>: p. 18.

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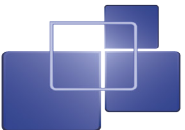
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