Briefing Note

THE CANADIAN CHAMBER OF COMMERCE
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Pan-Canadian Framework on Clean Growth and Climate Change

OVERVIEW

- Spurred by a campaign promise and success of the United Nations Paris Agreement, the Prime Minister convened a First Minister's meeting last March with the intention of gaining support for a national approach to climate change. The meeting resulted in the Vancouver Declaration, an agreement among the provinces to pursue the developments of a Pan-Canadian Framework on Clean Growth and Climate Change (Framework).
- On Friday December 9, Canada's First Ministers announced the completion of this Framework. It includes a mix of provincial initiatives and $3.6 billion in federal government spending, almost all of which had already been announced. Initiatives are broadly grouped into four 'pillars': 1) national carbon pricing; 2) complementary actions; 3) adaptation and resilience; and 4) clean technology, innovations and jobs.
- Two provinces have chosen not to sign the Framework. Saskatchewan Premier Brad Wall has consistently argued that applying carbon pricing in the current environment would undermine the provincial economy, which is suffering from low commodity prices and dependent on emission-intensive industries. Manitoba Premier Brian Pallister supports carbon price for his province, but is withholding his signature until an agreement is reached with the federal government on long-term health care funding.
- In terms of next steps, First Ministers will write an interim report on the Framework in 2020 and a full review of the carbon pricing system by 2022 to "provide certainty on the path forward." The Prime Minister has also committed to separate talks on climate plans led by the Inuit, Métis and First Nations.

PAN-CANADIAN FRAMEWORK HIGHLIGHTS

National Carbon Pricing

- There were no new announcements in the Framework on carbon pricing, the heart of the Framework's approach to reducing climate emissions. The federal government will impose a "pricing benchmark" of $10 a tonne in 2018, rising by $10 a year to reach $50 a tonne in 2022. Provinces with cap and trade systems that allow prices to fluctuate must demonstrate that they have reduced emissions equivalent to what would be achieved by a tax. Jurisdictions that do not implement their own carbon pricing policy will be subject to a federal carbon price. All revenues from the carbon pricing will be returned to their jurisdiction of origin.
- Two jurisdictions have chosen a carbon tax. B.C. and Alberta have or will implement tax-based systems that will reach $30 per tonne by 2018. Accordingly, 2020 will be the first year the federal benchmark will apply. B.C. Premier Christy Clark has indicated that her province may the use the interim report in 2020 as an opportunity to review whether or not her province will raise its carbon tax.

- Three provinces are proceeding with cap and trade systems. Quebec and Ontario will link to their system to California's market, allowing for international trade in emission permits. Nova Scotia will also proceed with a cap and trade system on its power, transport and building sectors, but will not trade with external jurisdictions.
- The other provinces and territories have signaled their intention to put carbon pricing in place, although they do not have detailed plans. Despite not signing the Framework, Manitoba had previously stated its intention to implement carbon pricing and has ruled out a cap and trade system. While Premier Wall has consistently opposed carbon taxes, Saskatchewan's climate plan includes a reference to a "levy on large emitters" that will be imposed once economic conditions improve. The territories and the federal government will work towards developing a carbon pricing system that reflects their unique circumstances.
- The implementation of national carbon pricing faces potential roadblocks. Premier Wall has indicated that he will challenge a federally-imposed carbon tax in the courts. The proposed interim report in 2020 may prove a crucial test of a national carbon pricing approach. By that time, elections in B.C. (2017), Ontario (2018), Quebec (2018) and Alberta (2019) may have changed the political landscape for federal-provincial cooperation. Tensions are already rising between western provinces that have adopted a set carbon price of $30 a tonne and eastern provinces, whose market-based systems will lead to fluctuating prices that will likely be much lower on average. This conflict may deepen in 2020 when B.C. and Alberta must raise their carbon tax to match the federal benchmark.

Complementary Measures

- *Electricity* – For the power sector, the federal government is pushing for the phase-out of coal power generation through regulation by 2030, although Nova Scotia and Saskatchewan have agreements that will allow them to keep some coal generation open for longer. Performance standards will be implemented for natural gas generation. Transmission between provinces will be encouraged to allow provinces with hydroelectric resources to export clean power to provinces dependant on natural gas and coal. The federal government will enter into partnerships with Indigenous peoples and businesses to reduce reliance on diesel in remote communities, and will provides support for renewable and grid modernization.
- *Built Environment* – New building codes will be implemented starting in 2020, with the goal of adopting a "new-zero energy ready" model building codes by 2030. The federal government could require labelling of building energy use by as early as 2019. The $2 billion Low Carbon Economy Fund will also support provincial programs to retrofit buildings.
- *Transportation* – By 2018, First Ministers will develop a Canada-wide strategy for zero-emission vehicles. Work on setting emissions standards for vehicles will continue, and governments will investments in public transit and refuelling stations for alternative fuels.
- *Industry* – The federal government has introduced regulations to phase out hydrochlorofluorocarbons, a potent greenhouse gas, and reduce methane emissions in the oil and gas sector. Governments will invest in energy efficiency and new technology development.
- *Forestry, Agriculture and Waste* – Governments will enhance carbon sinks, and encourage the use of wood products in construction as a way of storing carbon. Support will also be offered for bioproducts and bioenergy and advancing innovation
- *Government leadership* – Governments will implement efforts to reduce emissions through efficiency buildings and zero-emission fleets, and scale up clean procurements policies. At the international

level, the government will prioritize developing international rules and standards that will allow for emissions trade in various forms.

Adaptation

- The government will establish new centers for climate services to improve access to climate data and science. It will complete a Northern Adaptation Strategy in partnership with the provinces and revised national building codes and guidance for the design and rehabilitation of climate-resilient public infrastructure by 2020.

Clean technology, innovation and jobs

- The government intends to put into place "mission-oriented" research approaches and "innovative partnership with the private sector" to help with breakthrough technologies. It plans a "no-wrong door approach" to supporting Canadian clean technology and will look to strengthen skills development and business leadership. Support for the clean tech sector will also include expedite processing for visas and work permits for global talent and a variety of support to help companies export their technologies.

CHAMBER PERSPECTIVE

- The Chamber network believes climate change poses a serious economic and social threat to Canada and the rest of the world. We support the high priority the federal government has placed on climate change. However, we have several concerns with the national approach as it is developing.
    - There is no reference in the document to the cost of the climate measures outlined in the Pan-Canadian Framework. Independent research estimates that a $50/tonne carbon price would cost the average household $1,100 per year. Transparent and detailed economic modeling of the costs of carbon policies will be important to ensuring that this impact is fully understood.
    - The Chamber network has called for a price on carbon since 2011, and is pleased to see the federal government adopt pricing as its primary approach. However, without a review and rollback of redundant regulation carbon pricing threatens to add substantial costs to the Canadian economy.
    - The Framework has minimal reference to partnerships with the private sector, particularly outside the section on technology and innovation. The Chamber network believes business will be crucial to the development of all parts of the Framework and that there needs to be more emphasis in private sector input into both federal and provincial plans.
    - Revenues collected through national climate will go towards provincial governments. Only B.C. and the Yukon have committed to revenue neutral carbon policy. The federal government could provide more guidance on how those revenues will be spent, ensuring that the priority is placed on technology development and measures to protect the competitiveness of business.
    - Canada's largest trading partner, the United States, appears likely to retrench many of its federal government measures on climate. The Framework did not include a plan on how the government would act to preserve the competitiveness of Canadian industry as new climate policies were implemented.
- The Canadian Chamber will continue to raise these issues with the federal government as the policy development process continues.