

## Greenhouse Gas (GHG) Emission Reduction through Economic Instruments

G7 leaders met on June 8, 2015 notably to discuss climate change and committed themselves to various objectives, including:

- Hold the increase in global average temperature below 2°C;
- Reduce global GHG emissions “in the upper hand” of 40 to 70% reductions by 2050 compared to 2010 through “a global response”;
- [Do their] part to achieve a low-carbon global economy in the long-term;
- Adopt an agreement at the Paris Conference this fall.

In the past, Canada committed itself to various targets, including limiting GHG emissions to 555 megatons in 2012, under the Kyoto Protocol, 610 megatons in 2020 under the Copenhagen Agreement and, on May 15, 2015, to a 515 megaton limit in 2030. The Kyoto target for 2012 has been largely surpassed (715 megatons according to the latest revision, or 160 megatons over target or +29%) whereas the targets of Copenhagen and last May are not likely to be met at the current rate – the latest results for 2013 show another increase in emissions to 726 megatons.

A growing number of Canadians already see products having a carbon component or being transported, being priced. This is the case in British Columbia, with a carbon tax, and in Quebec with a royalty paid to finance a cap and trade system under the Western Climate Initiative (WCI). Ontario announced on April 13, 2015 that it intends to join the WCI along with Quebec and California. Consequently, these provinces have taken the path of innovation and sustainable development.

The Canadian Chamber of Commerce network is a longstanding supporter of carbon pricing, to the extent that all economic players are subject to a similar carbon tariff, regardless of the economic instrument used, whether it is a carbon tax or a cap and trade system. Such coverage is essential to maintaining a level competitive playing field. It is therefore desirable for other provinces to follow the lead of British Columbia and Quebec in combating climate change.

The Paris Conference will give several states or countries the opportunity to reveal their targets for GHG emission reduction beyond 2020, possibly through to 2050. Canada’s commitment to promote sustainable development must be accompanied by actions supporting that commitment. It is particularly important to align with jurisdictions where we expect to have free trade agreements, such as the European Union.

Canada’s chambers of commerce can be leaders and actors of change and promote this commitment throughout the country. Therefore, there are plans for the chamber of commerce movement, everywhere in Canada, to join their sustainable development sector in order to urge the federal government to adopt a Canadian strategy for GHG emission reduction with a target, and measures and mechanisms to reach this target.

### Recommendations

That the federal government:

1. Adopt an approach and mechanisms to combat climate change in order to establish and reach a GHG emission reduction target by 2050.
2. Work with the provinces and territories to:
  - a. Adopt carbon pricing mechanisms that will help realize Canada’s international commitments to reduce GHG emissions. The selection of these mechanisms must take into consideration the actions of competitor jurisdictions and the impact on Canada’s global competitiveness.
  - b. Ensure revenue collected from carbon pricing mechanisms directly facilitates businesses’ transition to a lower carbon economy – it should not go into general revenues. Further, the allocation of that revenue should be objective and transparent.

- c. Adopt policy instruments that sufficiently price the negative externalities associated with greenhouse gas emissions to achieve this target.