

Implementation of a Canadian Carbon Trading Market

Considering Canada's initial obligations under the Kyoto Protocol or the objectives of the federal government Air Emission Regulatory Framework, Canada's performance in reducing greenhouse gas (GHG) does not seem to be on the right track. However, it is essential to our future prosperity that we focus on tangible results consistent with international standards on environmental safety. It has been shown that costs related to environmental degradation will become exponential with time.

Canada could face protectionist barriers if its environmental regulations are not recognized or are overlooked by the international community. The environmental economy is a platform for innovation and competitive differentiation in many industries, including those affected by ecological issues. This evolution by government and industry must be based on partnerships and incentives.

We must engage in sustainable development. The evolution of the global economic and industrial structure makes capital mobility increasingly sensitive to regulatory efficiency and its impact on corporate competitiveness. The carbon exchange market system seems to be the most efficient and economical way for companies to record underlying investments in GHG reductions competitively.

The industrial diversity within provinces in terms of air emissions favours an emerging dynamic and efficient carbon trading market. Measuring emissions in absolute terms is required to encourage green investment. The imposition of an artificial maximum for air emission permits prevents the market mechanism from reorienting the industry towards clean production.

The international network of carbon markets is being created and Canada's lag on this point is mortgaging our future economic competitiveness. The Montreal stock exchange has already instituted a partnership with the Chicago Climate Exchange (CCX) to ensure the appropriate insertion of the Montreal platform in international exchanges. The Montreal stock exchange's credibility is ensured by a strong specialization in commodities.

Recommendations

That the federal government support the development of a carbon trading market in Canada by:

1. Focusing on tangible results with regards to GHG emission reduction while taking an approach based on incentives and partnerships towards the principles of sustainable development.
2. Specifying its GHG emission regulatory framework as soon as possible in order to reduce uncertainty for businesses.
3. Quickly move to develop an offset system so that credits can be earned by those outside of the large final emitter regulatory system to increase liquidity in the domestic carbon market.
4. Recognize that the most durable and efficient way to go towards a clean environment is to encourage green technologies.
5. Ensure that the regulatory parameters and global design of the Canadian Environmental Protection Act do not impede the functioning and credibility of the carbon market.
6. Specifically ensure the free determination of carbon credit prices and the establishment of a realistic target, favorable to the growth of green investments.