

Climate Change

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

The Canadian Chamber of Commerce, representing businesses across the country, feels that in order to address significant environmental and economic risks for business, including increased protectionism, that the Federal and Provincial governments must act decisively and in a coordinated manner, to produce a Canadian solution that will address these concerns. 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.

To address these challenges, there will need to be a shift in the way energy is produced, delivered and consumed. A thoughtful, comprehensive energy and climate policy will help to secure economic prosperity and provide opportunities to innovate and succeed. It must be recognized that achieving emission reductions and complying with provincial and national carbon constraints will not be free of costs. However, well-drafted legislation and regulations could spur innovation in new technology, help to create jobs, and increase investment. This should provide a foundation for a vibrant, lower-carbon economy. While there are costs to action a lack of response is not an option. Canada should act in concert with its major trading partners through a position that balances environmental leadership and Canadian competitiveness.

In recent years demand has increased from international and Canadian public opinion for action on climate change, fuelled by new scientific and economic reports. At the global level, negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) are proceeding toward the December 2009, Copenhagen meeting.

The United States, our main trading partner, has made climate change a high priority at the national and international levels, through the UNFCCC and Major Economies Forum (MEF). Domestically in the United States, the Environmental Protection Agency (EPA) has progressed on the regulatory side. Legislation has been re-introduced in Congress with the Administration, key members of Congress and leaders of business indicating a clear preference for a cap-and-trade approach.

One aspect that has especially attracted the attention of the Canadian Chamber of Commerce and its members, and is of great concern, has been the fact that existing climate change legislation in the EU, as well as most legislation introduced in the United States contains potential protectionist provisions.

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 can help meet them.

In the international arena, Canada's primary engagement should be through the UNFCCC, in addition to engaging through other forums such as the Asia Pacific Partnership, G20, and the MEF. Canadian leadership should be a balanced position expressed through a constructive approach to UNFCCC negotiations with realistic and achievable targets in order to ensure an outcome that protects Canadian competitiveness.

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 UNFCC principals of common but differentiated responsibilities:
 - For developed countries, commitments must be realistic, achievable, binding 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 developed 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. Recognize the important role of markets in any cost-effective response to climate change. Canadian businesses must have at their disposal tools that allow them the flexibility to meet their Canadian obligations in an effective and efficient way, should they choose to use them. This includes at least two emission pricing approaches that achieve the benefits of pricing most efficiently, simply and clearly:
 - Emission trading among covered sources, along with domestic and international offset systems, to transmit the price to uncovered sources. Current tools such as the Clean Development Mechanism (CDM) and Joint Implementation (JI) will have to be drastically improved and ramped up, while ensuring the development of new ones, such as Reduced Emission from Deforestation and Degradation (REDD), and sectoral crediting.

- A clearly defined policy price covering the vast majority of domestic emissions and linked at least in part to a mechanism for funding technology development, which provides a clearer focus on the task of near, medium and long-term reductions. The price could be linked to an average external reference price that provides a common price signal to trade partners.
3. 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.
 4. 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, recognizing that concerted global support for research and development will need to be put in place in order to increase the pace of change, commercialization and deployment of certain technologies. It must also protect intellectual property rights, as any measures to weaken these provisions will run contrary to efforts aimed at technology innovation and cooperation.
 5. Explore the potential of using sectoral cooperation as a tool for agreements in technology diffusion, as well as in determining benchmarks for both domestic emissions trading systems and proving additionality for offsets through multi-project sectoral benchmarks.

Domestic Climate Change Policy

6. Use a market-based approach for climate change mitigation which includes a federal cap-and-trade program, coupled with cost containment measures applied consistently across the economy. An emissions pricing system must have the following characteristics:
 - Ensures price stability, which is needed for long-term investments
 - Recognizes the realities of international competitiveness and ensures that Canadian businesses are not disadvantaged. The allocation system should ensure that there is an appropriate transition period and any auctioning introduced must be gradual, as well as address and be function of capital stock turnover and the actions of our major trading partners in introducing a price for carbon.
 - Includes an economy-wide cap-and-trade scheme with two distinct categories: 1) a downstream system stationary sources (basically industrial facilities) and then for 2) an upstream system to cover other emissions such as those transportation fuels and residential and commercial use of natural gas, coverage requiring distributors of these fuels to hold permits equivalent to the end-use emissions resulting from vehicle, residential and commercial combustion of these fuels. Any sectors not included in the cap-and-trade system will have to be covered by other policies and programs in order to achieve a comparative level of effort.
 - Includes a solid accounting system, with a robust infrastructure, harmonized with those systems that the Canadian system will be linked to.
 - Includes the compliance option of payment into a technology fund.

- Recycles any 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.
7. Create complimentary policies that include price signals for consumers, technology research, development and deployment, clean coal technology deployment, lower-carbon transportation technologies and systems, and improved energy efficiency in buildings, industry and appliances as well as measures to change consumer behaviour.
 8. Encourage the use of public-private partnerships to provide capital for the support of new low- and zero GHG-emitting technologies.
 9. Ensure that the Canadian price on carbon emissions is linked with the emerging pricing system in the United States to create a North American common signal to industry and consumers in both countries. . Include an emissions pricing scheme in the comprehensive economic cooperation negotiations between Canada and the European Union.
 10. Recognize efforts already undertaken as many corporations have instituted emission reduction measures over the last few years.
 11. Ensure that Canadian business can comply with their obligations under the pricing system through internal reductions or payment into a technology fund at the prevailing policy price on carbon emissions. Consider the benefits of other mechanisms, including:
 - Domestic offsets, from those sectors of the economy not covered by pricing.
 - International offsets that will be defined through regulation and that can help Canada meet its international obligations. Providing access for Canadian emitters to international offsets and international allowances from recognized emissions trading systems are channels for linking the Canadian price to international prices.