



CANADA 2020.CA

Progressive policy for a modern Canada



The Canada We Want in 2020

How to sell carbon pricing to Canadians

April 2013

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About Canada 2020

- Canada 2020 is a leading, independent, progressive think-tank
- Canada 2020's objective is to inform and influence debate, to identify progressive policy solutions and to help redefine federal government for a modern
- Our primary focus is on the role of the federal government



The Canada We Want in 2020

- Launches a debate about the role of the federal government in Canada
- Forward-looking project focused on five key challenges
 - Increasing innovation and productivity
 - Rising to meet the Asia challenge
 - Squaring the carbon circle
 - Reducing income disparities and polarization
 - Securing our health system for the future
- Oriented towards policy influence
 - Opening book launch: November 2011
 - First series of panels: January-May 2012
 - Second series of panels: January-May 2013



Why carbon pricing?

- Carbon taxation is the most economically efficient way to achieve emissions reductions
 - (Cap and trade may have some merits but as a pricing mechanism it is economically inferior)
- Need a comprehensive strategy that will enable us to meet (or exceed?) our Copenhagen targets
- Simplicity of carbon pricing a huge advantage



Why we need to act now

- Canada is one of the worst per capita emitters in the world
 - Emissions at least double the European/Chinese per capita average
- 2° warming target almost certainly beyond our grasp
 - New projections suggest up to a devastating 6° by century's end
- Deadlocked debate in Canada
 - Loss of moral leadership on international stage
- Meanwhile other countries move ahead
 - Australia, one of the only major countries whose emissions exceed our own, implemented a carbon tax in 2012



Canada's current situation

- Canada withdrew from Kyoto agreement in 2011
- Still committed to Copenhagen target of 17% reduction below 2005 levels by 2020
- Little serious attempt to understand how we can marry apparently conflicting objectives
 - Increasing fossil fuel exports while reducing emissions
- Still a lack of clarity on the meaning of voters' rejection of Dion's proposed Green Shift
- Highly polarized debate at a political level and willful mischaracterization of possibilities for and effects of carbon pricing
 - 'tax on everything'



Current federal approach

- Sector by sector regulatory approach
 - Closely aligned with U.S. approach
 - Embraces provincial equivalency, allowing for flexibility in implementation
- On the positive side progress is being made after decades of inaction
- On the negative side, the approach is slow, complex and inadequate to achieve Copenhagen targets
 - Much over-stating of achievements



On track for Copenhagen?

- Target of 17% reduction below 2005 levels by 2020
 - No grounds to believe we can achieve this without a dramatic shift in carbon policy
- Measures in place to achieve only half the necessary reductions (from business as usual scenario)
- Environment Canada predictions show us achieving just a 3% reduction below 2005 levels by 2020
- No constructive dialogue taking place at the federal level on how we can shift gears



The Provinces: British Columbia

- Carbon tax introduced by BC Liberals in 2008 at \$10/tonne
 - Increased by \$5/year to current level of \$30/tonne
- Revenue-neutral design
 - Revenues raised returned to the public through personal and business tax cuts (penalties for failure to do so)
- Fossil fuel consumption and emissions have fallen absolutely and relative to the rest of Canada
 - 15.1% fall in per capita consumption of refined petroleum products in BC 2008-2011
 - 1.3% rise in the rest of Canada
- Initially opposed by NDP, now supported
- Broad – though perhaps fragile? – public support



The Provinces: Alberta

- Specified Gas Emitters Regulation introduced in 2007
 - Large carbon emitters (over 100,000 tonnes annually) in certain industries must meet annual intensity targets of 12% below 2004–5 levels
- If they fail they can purchase credits, offsets or pay \$15/tonne into arm's length technology fund
 - This fund (the CCEMC) had received \$313m in revenues from the levy by January 2013
- New proposals floated for a 40% intensity reduction target with a \$40 non-compliance penalty
 - A strategy to secure social license for oil sands and approval from US for Keystone XL?



The Provinces: Quebec

- Joined the Western Climate Initiative in 2008
 - WCI is a mechanism to provide support to a flexible, market-based cap and trade system
- Of original signatories, only California and Quebec have implemented such a system
 - Kicked off on January 1, 2013
- Permits to exceed the initial soft cap will be auctioned with a reserve price of \$10/tonne
- Target to reduce carbon emissions to 20% below 1990 levels by 2020



The Provinces: Ontario and N.S.

- **Ontario** initially joined the Western Climate Initiative but has not implemented and carbon pricing
 - However, the province's commitment to eliminating coal-fired electricity generation (by the end of 2013) has had a huge impact on Canada's overall emissions
- **Nova Scotia** signed an Equivalency Agreement with the federal government in 2012
 - The province committed to meeting federal standards in electricity generation, using its own mechanisms



Changing the debate

- We are in urgent need of change so that the dialogue about carbon and energy becomes...
 - Refreshed and compelling
 - Less polarized
 - More inclusive
 - Focused on identifying a shared Canadian vision linked to our shared interest and oriented towards positive action
 - The basis for recapturing a leadership role for Canada



Why it might be possible (right now)

- Some increased acceptance by the private sector of the need for action on carbon
 - Shadow carbon pricing being employed by a number of companies
 - Opportunities for new types of growth and exports?
- New 40 – 40 talk in Alberta has spurred debate and greater ambition
 - Canadian Association of Petroleum Producers now talking about a 20-20 plan rather than the current 12-15
- Pipeline issues, oil spills and low prices for Canadian bitumen have raised the general level of domestic dialogue about Canada's energy future
- President Obama has renewed his emphasis on addressing climate issues
- Rising concern about Canada's global loss of status



Top level questions

- What steps must we take to turn this back into a constructive discussion?
- Why have Canadians resisted carbon pricing?
- Would they accept a new way forward now?
- If so... how far might this extend?



Follow-on questions

- What can we learn from within Canada?
 - How did the B.C. Liberals succeed in ‘owning’ both the economy and the environment in the 2009 election?
 - What does that tell us about the value of revenue-neutrality?
 - What other lessons can be drawn from BC and other jurisdictions?
- What can we learn from other countries?
 - Are there approaches to building grassroots electoral support that have been particularly effective?
 - Has carbon pricing proven effective in stimulating the ‘green economies’ and export potential of those countries that have adopted carbon pricing systems?



Follow-on questions (cont.)

- Are there better or worse ways to market carbon pricing?
 - Is revenue neutrality essential or would people accept paying more to finance investment in technology and green infrastructure?
- How is carbon pricing best linked to beneficial economic outcomes?
 - Are apocalyptic future scenarios harmful or helpful?
- Is inter-generational moral responsibility a marketable approach to carbon pricing?
 - How do we best make the link between current actions and the quality of life of our children and grandchildren?



Follow-on questions (cont.)

- How do we overcome regional divides to identify and build upon shared Canadian interest?
- How does our relationship with the U.S. constrain or advantage us?
 - Is it an excuse for inaction?
 - If progress is stalled in the U.S., how should we react?
 - Can we identify areas in which we will lead?
- How ambitious should we be at federal level?
 - What targets make sense in the short term?
 - Might carbon taxes replace federal income tax in the long term?



Let us finish by asking....

- How can we keep this dialogue going and make sure that we do not miss this window of opportunity?



What you can do

- Our goal in this project is to increase debate
- We actively encourage feedback on our work
 - Submit comments or opinion pieces through our website www.canada2020.ca
 - Contact us directly info@canada2020.ca
- Provide feedback through our post event survey
- Use our materials to host your own events and discussions



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THANK YOU FOR YOUR INTEREST

