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CanadaWatch

PRACTICAL AND AUTHORITATIVE ANALYSIS OF KEY NATIONAL ISSUES

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SPECIAL ISSUE: FOCUS ON THE ENVIRONMENT

CANADA'S POSITION ON THE ENVIRONMENT AFTER KYOTO

BY DAVID V.J. BELL

Once upon a time, Canada was a world leader in the field of international environmental policy. Much of this was due to the work of Maurice Strong, who played a key role in both the 1972 Stockholm Conference and the 1992 Earth Summit in Rio. Canadian Jim MacNeill served as Secretary General of WCED, the World Commission on Environment and Development. WCED's report Our Common Future (also called The Brundtland Report in honour of WCED Chair Gro Harlem Brundtland) was published the same year the Ozone Treaty was signed in Montreal in 1987, and it continues to shape the discourse around sustainability.

Canadians were also pioneers of the concept of "Round Tables", and moved in the late 1980s to establish these multi-stakeholder advisory bodies at all levels of government and in every province. Canada was one of the first countries to develop a national Green Plan, an exercise completed while Lucien Bouchard was Minister of the Environment. This portfolio, then considered to be one of the most prestigious in Ottawa, was held by Jean Charest at the time of the Rio Conference. Canada was proud to give its support in Rio to the Framework Convention on Climate Change, which called on the industrialized countries of the North to reduce greenhouse gas emissions to 1990 levels by the year 2000.

In its first Red Book, the Liberal Party of Canada promised to work toward even greater reductions. Red Book 2 contains a much more circumspect discussion of the issue, and begins by acknowledging that Canada will fail to meet even the Rio target. Nevertheless, the Liberals pledged to "redouble our efforts to stabilize emissions of greenhouse gases and to develop new approaches to meet targets set through international negotiations." These "new approaches" would feature broad consultation and policy innovation, including a

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THE KYOTO PROTOCOL WILL COST ALL CANADIANS, BUT MAY NOT ACHIEVE MUCH

BY DANIEL SCHWANEN

The Kyoto Protocol on the United Nations Framework Convention on Climate Change, reached on December 10, 1997, commits Canada to reducing its emissions of greenhouse gases (GHG) by six percent below their 1990 level by 2012, or within fifteen years. Given that Canadian emissions of the three principal GHGS resulting from human activity—carbon dioxide (CO_2), methane, and nitrous oxide—have already gone up by thirteen percent since 1990, the target really implies a nineteen percent or so reduction from current levels.

This commitment cannot be met without enormous and costly changes to Canada's economic structure and to the lifestyles of Canadians. The reason for this is clear. While most GHGS, including water vapour, occur naturally, the increase in the atmospheric con-

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scheme for emissions trading.

Why does much of this now read like a fairy tale? Why has Canada slipped from a position of international leadership to a place near the back of the pack, committed by our Prime Minister to "doing better than the Americans" on global warming, but unable even to announce our position until the day negotiations started in Kyoto? Many factors are responsible. Some of these are global in scope and origin, others are peculiarly Canadian.

However reluctantly, governments have eschewed or conceded their leadership role on a variety of policy fronts, and have focused instead on reducing debts, tackling deficits, downsizing, and deregulating.

Irrespective of the governing party's historic position on the ideological spectrum, most advanced industrial countries have witnessed what Susan Strange has called the *Retreat of the State* [Cambridge University Press, 1996]. Her principal argument is that where "states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states" [at 4]. However reluctantly, governments have eschewed or conceded their leadership role on a variety of policy fronts, and have focused instead on reducing debts, tackling deficits, downsizing, and deregulating.

This broad trend has been accentuated in Canada by an additional concern with the "national question" and the possibility of a pro-sovereignty vote in Quebec. Anxious to avoid criticisms from Quebec about federal-provincial jurisdictional overlap and duplication, the federal government has undertaken a policy of "harmonization" that has further shrunk its presence in the field of environment and has generally reduced environmental policy to the lowest common denominator. Meanwhile, the bureaucracy has been slashed by more than one-third at both levels of government, undermining governmental capacity and forcing a reassessment of the "command and control" approach to environmental policy that was established in the 1970s and 1980s.

Business leaders have repeatedly expressed their strong preference for "voluntary measures" and "economic instruments" to deal with the instances (rare in their view) when "market forces" fail to resolve environmental problems.

It is no surprise that the business community has generally applauded these developments. Business leaders have repeatedly expressed their strong preference for "voluntary measures" and "economic instruments" to deal with the instances (rare in their view) when "market forces" fail to resolve environmental problems. For their part, the media have helped to promote an incoherent approach to reporting on the environment, in which it is either ignored completely or attention is focused on the most extreme voices and most confrontational aspects of environmental issues. The general public has not been well-served by this style of reporting, and has assumed either that environmental problems are well in hand, or that any attempt to resolve them will require extreme measures and painful choices between economic and environmental imperatives.

All of these tendencies surfaced during the lead-up to Kyoto. The issue of climate change, virtually ignored by the media in the five years after the Framework Convention

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CanadaWatch

PRACTICAL AND AUTHORITATIVE ANALYSIS OF KEY NATIONAL ISSUES

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WHAT'S IN THE KYOTO AGREEMENT *from page 3*

Canada. Most of these states have agreed to reduce their emissions from between 6 to 8 per cent below the 1990 levels. [See Table on this page, setting out the individual targets for the 39 states.] This reduced emission level is to be achieved in the "commitment period" of 2008 to 2012.

If parties reduce emissions below the levels required under the Protocol, they will be able to transfer the "excess" reduction to another party, thereby permitting the latter to achieve its targets without actually reducing its own emissions to the mandated level.

The Protocol consists of 27 Articles, and will come into force when ratified by at least 55 parties to the Convention; the ratifying countries must also include parties that account in total for at least 55 per cent of the total carbon dioxide emissions for 1990 of the Parties included in the Annex.

Many of the provisions in the Protocol set out obligations to develop mechanisms and reporting requirements necessary to make the achievement of the emission targets feasible. For example, parties are to develop and have in place by 2007 a "national system for the estimation of . . . emissions by sources" (Article 5.1), with the methodologies for such estimation systems to be agreed upon by the parties at a subsequent meeting (Article 5.2); each party shall submit annually data on its emissions by source beginning in the year 2008 (Article 7.1); the information submitted by each party is to be reviewed by independent expert review teams, who shall prepare "a thorough and comprehensive assessment of all aspects of the implementation by a Party of this Protocol" (Article 8.1-8.3).

The Protocol also provides for a market mechanism whereby parties will be able to purchase emission "credits" from other parties. If parties reduce emissions below the levels required under the Protocol, they will be able to transfer the "excess" reduction to another party, thereby permitting the latter to achieve its targets without actually reducing its own emissions to the mandated level.

While the Protocol will be legally binding as a matter of international law once it is ratified and comes into force, there are no enforcement mechanisms or sanctions established for breach of its obligations. The Protocol provides for the approval, at a subsequent meeting, of "appropriate and effective procedures and mechanisms to determine and to address cases of non-compliance with the provisions of this Protocol, including through the development of an indicative list of consequences, taking into account the cause, type, degree and frequency of non-compliance" (Article 17). However, any such enforcement mechanisms would require approval of three-quarters of the parties to the Protocol, and would only become effective as against parties who agreed to be so bound.

Party	Emission Commitment (% of base year)
Australia	108
Austria	92
Belgium	92
Bulgaria	92
Canada	94
Croatia	95
Czech Republic	92
Denmark	92
Estonia	92
European Community	92
Finland	92
France	92
Germany	92
Greece	92
Hungary	94
Iceland	110
Ireland	92
Italy	92
Japan	94
Latvia	92
Liechtenstein	92
Lithuania	92
Luxembourg	92
Monaco	92
Netherlands	92
New Zealand	100
Norway	101
Poland	94
Portugal	92
Romania	92
Russian Federation	100
Slovakia	92
Slovenia	92
Spain	92
Sweden	92
Switzerland	92
Ukraine	100
United Kingdom	92
United States of America	93

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was signed in 1992, suddenly crashed onto the media agenda. In an attempt to cover "both sides" of the "debate", much attention was given to the climate change skeptics and critics, despite the unprecedented consensus among scientists on the need to take action now. (The scientific work underlying the Kyoto conference was undertaken over a period of many years by a body called the Intergovernmental Panel on Climate Change (IPCC), which involves nearly 3,000 scientists from over 100 countries. Their findings pass through a nine-step process of review and critique, including government policy reviews in each country. Consensus is the rule. This degree of intensive scrutiny has been described authoritatively as "the most elaborate ever attempted by the scientific community on a science-environment issue." In a desperate attempt to shift public opinion during the final weeks before Kyoto, the Coal Association of Canada, the Canadian Association of Petroleum Producers, the Canadian Gas Association and, (from a very different perspective), the David Suzuki Foundation, all placed full-page ads in newspapers across the country.

Although Canada is of course a member of IPCC, and Canadian scientists have played an important role in conducting research on climate change, the Canadian government seemed paralyzed when it came to articulating a firm position and working out the implications for implementation. The terms of the agreement that was ultimately reached in Kyoto go beyond what the provinces supported at a meeting held last Fall in Regina. Yet their cooperation

will be essential if Canada is to meet the new objectives. Meanwhile, the media have dropped the issue of climate change. Where do we go from here?

With the Kyoto agreement behind us, it might appear that attention has shifted from whether we should act to reduce greenhouse gas (GHG) emissions to how best to achieve the reductions to which we agreed. One cannot ignore, however, the temptation to sit back and wait for ratification by the U.S. Senate before proceeding to do anything. Some groups are encouraging precisely this response. But many compelling factors suggest a more proactive, responsible position.

Despite suggestions by the fossil fuel industry that economic disaster will follow from efforts to reduce CO_2 emissions, polling done last summer by Environics indicated that a substantial majority of Canadians gave at least some credence to the statement that "Canada can reduce its emissions without damaging the economy, because new technologies in renewable energy and energy conservation will lead to new investments and jobs."

First, public opinion is surprisingly supportive of action. Despite suggestions by the fossil fuel industry that economic disaster will follow from efforts to reduce CO_2 emissions, polling done last summer by Environics indicated that a substantial majority of Canadians gave at least some credence to the statement that "Canada can reduce its emissions without damaging the economy, because new technologies in renewable energy and energy conservation will lead to new investments and jobs." Thirty per cent nationwide found this statement "very believable" and a further 51 per cent "somewhat believable." Only 16 per cent found it not very (13%) or not at all (3%) believable. (A similar question asked in a U.S. poll in November elicited 63 per cent agreement that reductions in GHG emissions could be achieved "without hurting the economy", and only 24 per cent believing that this could be done "only by hurting the economy".) Canadians appear to want action. Over 80 per cent found very (46%) or somewhat (36%) believable the statement, "If we take no action, Canada's economy will be significantly damaged in the long-term by climate change, because of flooding and negative impacts on industries like agriculture, fisheries and forestry".

The views of the general public on complex issues of public policy are more significant to political than economic feasibility. On the latter point, however, 2,800 economists, including 8 Nobel Prize winners, issued the following statement:

"As economists, we believe that global climate change carries with it significant environmental, economic, social, and geopolitical risks, and that preventative steps are justified. Economic studies have found that there are many potential policies to reduce greenhouse gas emissions for which the total benefits outweigh the costs. For the U.S. and Canada, sound economic analysis shows that there are policy options that would slow climate change without harming North American living standards, and these measures may, in fact, improve productivity in the longer run. The revenues generated from such policies can effectively be used to reduce the deficit or lower existing taxes."

Business itself is more supportive than might appear by reading only the ads from the fossil fuel sector. Increasingly, leading corporations are embracing "eco-efficiency" as part of their mission.

Business itself is more supportive than might appear by reading only the ads from the fossil fuel sector. Increasingly, leading corporations are embracing "eco-efficiency" as part of their mission. (The most advanced are explicitly adopting a commitment to sustainability.) This is not altruism but a response to internal and external "drivers" that include pressure from financial institutions; the need to meet high international standards such as ISO 14000 in order to trade into some markets (particularly in Europe); opportunities for substantial cost cutting for energy and waste disposal; pressure from enlightened customers, stockholders, and employees; and opportunities for market differentiation, as well as the satisfaction of "doing the right thing".

The "crisis" of climate change is depicted as a "threat" by major elements of the energy industry, but it holds out the promise of huge opportunities for the renewable energy sector, and for "ESCOs" (Energy Service Companies). Merely by renewing and upgrading for increased energy efficiency our residential and non-residential buildings, Canada can achieve a large percentage of the needed reductions in GHG emissions while providing thousands of new jobs. It is estimated that over a 10-15 year time frame, GHG emission reductions of 50 Megatonnes/year can be achieved. This constitutes nearly ten per cent of current net Canadian emissions. The capital investment required to carry out this project ($50-75B) would be paid for entirely by energy cost savings, would generate about 1 million person-years of employment, and would result in $5-10B annual savings in energy costs.

At the same time, the new GHG emission targets will give technological development an enormous boost. New technologies (such as the Ballard fuel cell) are already emerging as the initial wave of what some have called a "second industrial revolution", which will feature technologies that are environmentally sustainable. These technologies would enjoy a huge international market, helping make our economy much more "competitive" globally.

Another element of the business community that is leading the push for action to reduce GHG emissions is the in-

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CANADA'S POSITION ON THE ENVIRONMENT AFTER KYOTO *from page 5*

surance industry, which has seen its world-wide disaster losses increase from an average of $1B annually in the 1960s to $50B in the 1990s in constant dollars!

What is the role for government(s) in the post-Kyoto setting? In at least one crucial area, the federal government can lead by example by agreeing to implement green budgeting practices that will help "get the prices right", remove environmentally perverse subsidies, and encourage environmentally sustainable practices throughout society, particularly in the energy sector.

Economic instruments alone will not suffice, however. Enlightened leaders in all sectors need to speak out on this issue in fora that will allow public debate and increase public awareness. Climate change affects us all. We will all suffer if the problem is not addressed. More importantly, we can all contribute to the solution. There are a number of "win-win" strategies, and we can work out ways of offsetting whatever "pain" may result in some sectors by drawing on the "gains" in others. But we need to be brought together. Success will require a collaborative approach involving key stakeholders from all levels of government working with business, labour, environmentalists, Aboriginal peoples, and the research community.

Is this possible? One is reminded of Kenneth Bouldings' "existence theorem": everything that exists is possible. We already have before us successful models. In 1994-95, under the auspices of the Ontario Round Table on Environment and Economy (ORTEE), a "Transportation Collaborative" involving 32 key stakeholders from the transportation sector hammered out a strategy for reducing CO_2 emissions that was formally endorsed by all but two of the participants. The elements of the strategy reinforced the objective of effecting a shift from automobiles to transit, by encouraging more compact mixed-use development in urban areas, implementing fuller cost pricing for transportation modes, achieving better integration of transportation systems in large urban areas, and implementing transit priority measures, while at the same time encouraging the development of alternative fuels and more fuel-efficient vehicles and enhancing freight movement by improved intermodal arrangements.

More important than the substance of the strategy is the collaborative process by which it was developed. Signatories to the strategy included General Motors, the Canadian Auto Workers, Consumers Gas, Union Gas, the Sierra Club, Pollution Probe, Canadian National, Canada Transport International, and many others. Despite the very different, often sharply opposed, perspectives and interests each party brought to the table, as a result of the collaborative process each of them developed a larger vision and sufficient shared understanding of the nature of the problem to reach consensus on what steps were needed to tackle it.

Herein lies the recipe for a broader, country-wide initiative as well as for similar efforts at the provincial and local levels. For the first time in nearly two decades, we are moving into a period of budget surpluses that will afford governments some fiscal breathing room. One hopes it will also encourage more positive leadership that will allow Canada to move once again to the higher ground on which we stood so proudly a few long years ago.

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THE KYOTO PROTOCOL WILL COST ALL CANADIANS BUT MAY NOT ACHIEVE MUCH *from page 1*

centration of GHG over the past two hundred years has been associated with human economic activities, which in turn have sustained rising incomes and standards of living. These activities include the generation of electricity for uses such as residential and office heating and lighting, the burning of fuel in cars and other vehicles, manufacturing operations, waste disposal, agricultural production, the cutting of forests (considered to be carbon "sinks" because they absorb CO_2), as well as the extraction and transportation of fossil fuels themselves, such as coal, crude petroleum, and natural gas.

The extent to which the increase in these human-induced emissions have contributed to an increase in the earth's surface air temperature over the past century is not clear, since many other, natural factors, are also at work. The United Nations-sponsored Intergovernmental Panel on Climate Change (IPCC) uses the language of probabilities when discussing this effect, and has also recently revised substantially downward its estimate of climate change which would occur by 2100, under a scenario whereby GHG concentration in the atmosphere would stabilize at 50 per cent above current levels. Yet, uncertainty should not mean denying the need for preventive action, meaning putting in place measures that will ensure that the growing energy needs can be met while at the same time curbing GHG emissions, to the extent that scientific evidence confirms this is necessary.

While realizing that this objective would at a minimum involve major investments, some of the changes that this would entail could be benign, even positive for the economy, such as those resulting in increased energy efficiency and application of new, less GHG-intensive technologies (such as, for example, various types of fuel cells), or switching towards the less carbon-intensive among existing sources of energy. In the absence of such developments, however, reduced emissions could only be achieved through reduced per capita economic activity, or severely curtailed population growth in Canada. In short, what the costs will be in the end, and how they will be distributed, depends significantly on what specific policies are adopted nationally and globally to reduce GHG emissions. In light of these choices, one would have