

CanadaWatch

PRACTICAL AND AUTHORITATIVE ANALYSIS OF KEY NATIONAL ISSUES

a publication of the York University Centre for Public Law and Public Policy and the Robarts Centre for Canadian Studies of York University

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.

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 (CO₂), methane, and nitrous oxide—have already gone up by thirteen per-

In its first Red Book, the Liberal Party of Canada promised to work toward even greater reductions. Red Book 2 contains a much more circum-spect 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

continued on page 2

cent 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-

continued on page 6

FEATURES

THE KYOTO PROTOCOL

1

Canada's Position on the Environment After Kyoto
by David V.J. Bell

1

The Kyoto Protocol Will Cost All Canadians, But May Not Achieve Much
by Daniel Schwanen

3

Editorial—In This Issue
by Patrick J. Monahan

3

What's in the Kyoto Protocol
by Patrick J. Monahan

8

Climate Change and the Biophysical Nature of Environmental Politics
by Doug Macdonald

THE HARMONIZATION ACCORD

10

The Harmonization Accord: A Solution in Search of a Problem
by Stewart Elgie

12

The Benefits of Harmonizing Our Environmental Regulatory System
by Michael Cloghesy

13

The Canada-Wide Accord: A Threat to National Standards
by Kathryn Harrison

15

Environmental Harmonization: A Guide to the Future of Canadian Federalism?
by Patrick Fafard

17

Environmental Harmonization in Canada Does More than What It Was Meant to Do
by Gary Gallon

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

insurance 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 Boulding's "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 CO₂ 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. 

David V.J. Bell is Director, York Centre for Applied Sustainability, and Professor, Faculty of Environmental Studies, York University.

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 CO₂), 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 applica-

tion 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

expected the Kyoto negotiations to produce a plan to curb emissions at the least possible cost to the global and national economies. But by and large, this is not what happened.

The main reason for this failure is that the Kyoto Protocol completely disregards credible evidence, endorsed by the United Nations-sponsored IPCC itself, that quick reductions in emissions are far costlier than longer-term ones (the longer the period, the more time for efficiency measures and technological improvements to be brought on stream during normal capital stock turnover, given that incentives to do so are put in place). Instead, governments in Kyoto have bought interpretations of the latest IPCC report that quick, sharp cuts in emissions were necessary to reduce the risk of climate change. In fact, the IPCC report affirms no such thing, and serious evidence, based on the same models used by the IPCC, points to the opposite.

In addition, the Kyoto Protocol goes only part way in ensuring that any reduction in time occurs where it is least costly to make. It does so by allowing some form of trading of emissions reduction credits between countries that manage to overshoot their targets, and those that are having difficulty doing so, and also by setting up a system of credits which rich countries (where emissions reduction tends to be the most expensive) could accumulate for their contribution to projects that reduce emissions in developing countries (where it often tends to be less expensive to reduce emissions). However, limits will be put on the extent to which countries can buy emission reductions from others in such ways.

The Protocol is also made

far less effective by the fact that it requires some of the worst emitters to make an effort to reduce emissions, but not others. Specifically, the delegates to the Kyoto conference lacked the will and imagination to ensure that developing countries—which will collectively account for most of the GHG emissions in the 21st century—bear any responsibility for ensuring that their development be less intensive in carbon fuels and other GHG. It would have been possible to devise commitments ensuring less GHG-intensive growth in these countries, while maintaining intact their legitimate objective continued development relative to rich countries (not, however, through the setting-targets-by-country exercise, which developing countries rightly feared would hurt their economies, as it will hurt that of many rich countries).

[R]atification of this Protocol should be preceded by extensive public consultations, a Parliamentary debate, and a free vote held in the House of Commons.

There are also serious related questions as to whether the Protocol compromises the competitiveness of industry in Canada and of its major trade partner, the U.S. On the surface, Canada has agreed to reductions which seem in line with those of its major trading partners. The U.S. will have to cut emissions by slightly more than Canada (about 4 per cent more from current levels, because U.S. emissions have increased by three percentage

points more than Canada's since 1990, and the U.S. has agreed to cut one per cent more than Canada from the 1990 base year). The European Union, however, has probably gained an immediate competitive advantage in Kyoto, because it is already closer to achieving its targets through a combination of reduced subsidies to coal (replaced by natural gas in the U.K.), destruction of inefficient industries in the former Communist countries, and slower population growth than Canada, the U.S., or Australia. Hence, Europe has already achieved much of its target through "easy greenery", while the latter countries will undoubtedly have to make major investments—or reduce economic or population growth—to meet theirs.

Furthermore, given increasing global trade and investment links, a certain amount of "carbon leakage" will also undoubtedly occur towards (less energy-efficient) developing or former Communist countries; that is, some Canadian emissions-intensive activities may well move where targets are more lenient (Russia, the Ukraine, Australia), or non-existent (South America, Southeast Asia). This will hurt Canada without making a dent in global GHG emissions. To prevent this, Canada could purchase credits from Russia and the Ukraine, but this would reduce the anticipated fiscal dividend in this country and/or would result in deteriorating external accounts for Canada.

A full assessment of the competitiveness will have to await agreement (slated for 1998) on how countries will be able to account for changes in forestry practices (counting as enhancing carbon "sinks" as part of their reduction targets).

Although many "no-regrets" (e.g., energy-efficiency) and voluntary measures can be achieved at a relatively low cost, they are unlikely to be sufficient to achieve the targets, even if monetary incentives (such as tax breaks) are attached to achieving them. Much private and public investment will likely have to be made in research towards less carbon-intensive energy sources and usage, possibly also requiring the adoption of new standards on a large scale (such as for vehicles and urban planning, the cost of which would again depend on the speed with which they are introduced). Even then, it is unlikely that the goals of the Protocol can be met without a tax or fee of some sort on emissions or emissions-producing activity.

In light of these and other factors, most independent analyses of the economic impacts of reducing GHG emissions have concluded that there would be significant costs for Canada, for other industrialized nations, and indeed developing countries, from doing so. For the amounts and speed of reductions envisaged by Canada under the Kyoto Protocol, a reasonable estimate of the costs in terms of lost output (and incomes) to the domestic economy would be two per cent of GDP, or some \$18 billion on average for each year between 2000 and 2015. To put things in perspective, this would be the equivalent of another early 1990s-style recession from which the economy would take fifteen or so years to recover. Unamended, the Kyoto Protocol will lead us right into this scenario, without any guarantee that the sacrifices will have


continued on page 19

on Environmental Harmonization. It contained three sub-agreements covering environmental assessments, the setting of Canada-wide standards, objectives, and guidelines in areas such as air, water and soil quality, and inspection activities by environmental departments.

The ministers of CCME were scheduled to sign the accord in the first week in November 1997. However, concerned about the deal, the House of Commons Standing Committee on Environment and Sustainable Development, chaired by Charles Caccia, decided to hold a lightning set of hearings on "Harmonization Initiative of the Canadian Council of Ministers of the Environment" between October 20-29, 1997 in Ottawa. It recommended against signing the accord. The evidence at the Committee was overwhelming in favour of taking a cautious approach. The concerns were conveyed to the federal Environment Minister Christine Stewart and to other Cabinet members. Judiciously, Stewart asked for the signing session of CCME to be postponed into the new year—due to preparations for the Kyoto global warming talks.

The Standing Committee found that "the absence of evidence supporting the overlap and duplication rationale for the project led many witnesses to surmise that support for the project must be inspired by other considerations." The Committee recommended that "therefore it seems doubtful to the Committee that the Accord and Sub-agreements will be successful in achieving greater administrative efficiency or cost savings."

The moment for the CCME harmonization accord has been substantially reduced.

What appeared to be a sure thing in 1997 appears uncertain for 1998, when the ministers will again meet on the subject. In the end, many of the good aspects of the harmonization accord have already been addressed in an *ad hoc* fashion by the federal and provincial governments. They have virtually eliminated duplication in the administration of environmental law, or are in the process of doing so. They have worked out processes for streamlining their dual roles in environmental assessment (except in extreme cases of disagreement). The first item of business when the ministers meet will be to address the question of what are the beneficial aspects of the harmonization accord that remain? 

Gary Gallon, President of the Canadian Institute for Business and the Environment (CIBE), Montreal, worked as Senior Policy Advisor to the Ontario Minister of the Environment (1985-90), and was President of the Canadian Environment Industry Association, Ontario (1993-96).

NOTES

1. Canadian Council of Ministers of the Environment (CCME) Website, www.ccme.ca/ccme, Winnipeg, December 1997.
2. Tom Spears, *The Citizen*, Ottawa, July 28, 1997.
3. See the analysis of these studies in G. Gallon, *Analysis of Five Canadian Environmental Cost Studies* (Montreal: Canadian Institute for Business and the Environment, March 1997).
4. Working Paper #2, *Overlapping Environmental Jurisdiction: A Selective Survey of Industry Perceptions and Costs in Alberta*, by S.A.

Kennett, Canadian Institute for Resources Law (CIRL), E.J. McCoy, Q.C., and Dr. G.A. Yarranton, The Macleod Institute for Environmental Analysis at the University of Calgary, (Calgary, January 1996).

5. Working Paper #3, *Overlapping Environmental Jurisdictions: Estimation of Economic Costs Associated with Regulatory Delay*, by J. Jorgensen, Chair, Insurance and Risk Management and Professor, Faculty of Management, University of Calgary; P. Mokkelbost, Professor, Faculty of Management, University of Calgary; and their students, A. Smith, C. Butler Wutzke (Calgary: Macleod Institute for Environmental Analysis, May 1996).

6. *Lean Green: Benefits From a Streamlined Canadian Environmental Regulatory System*, by A. Howatson, Senior Researcher, Business and Environment Research Program, The Conference Board of Canada (Ottawa, April 1996).


7. "Lund Stresses Need for Harmonization at National Energy Forum", Press Release No. 96-069, Alberta Environmental Protection Ministry, Edmonton, May 28, 1996.

8. Letter to Mel Cappe, Deputy Minister, Environment Canada, from Gilles Rheaume, Vice-President, Policy, Business and Society, The Conference Board of Canada, Ottawa, May 13, 1996.

9. *Draft Report on the Harmonization Initiative of the Canadian Council of Ministers of the Environment*, the Standing Committee on Environment and Sustainable Development, Hon. Charles Caccia, Chair, House of Commons, Ottawa, December 1997.

THE KYOTO PROTOCOL WILL COST ALL CANADIANS BUT MAY NOT ACHIEVE MUCH from page 7

served to significantly reduce the risk of global warming, or that the objectives will be achieved at the lowest cost possible.

Needless to say, future governments will have to face most of the costs of these commitments. In my view, they are unlikely to feel bound by them without the explicit backing and approval of Canadians on the measures required to implement the Protocol. Consequently, I reiterate my earlier position that ratification of this Protocol should be preceded by extensive public consultations, a Parliamentary debate, and a free vote held in the House of Commons. 

Daniel Schwanen is a Senior Policy Analyst with the C.D. Howe Institute.