

Fact Sheet
Leaked Canadian Cabinet Documents

December 15, 2009

Late on December 14, CBC News reported that it had obtained draft presentations to Canada's federal Cabinet by Environment Minister Jim Prentice. The leaked documents, prepared in recent weeks, describe the minister's new proposal for regulation of greenhouse gas (GHG) emissions from the oil & gas sector and the "emissions-intensive trade exposed sectors" (i.e., heavy manufacturing and mining) respectively.

Key implications of these documents:

1. For the oil and gas sector, the new proposal is more than three times weaker (in terms of reductions in annual emissions in 2020 below business-as-usual levels) than the government's 2008 "Turning the Corner" regulatory proposal.
2. The new proposal also appears to be at least three times weaker than Turning the Corner for the manufacturing and mining sectors.
3. Based on the previous two points, it can be concluded beyond doubt that the government is planning *not* to meet its already weak national GHG emissions target of 20% below 2006 by 2020.
4. The Minister presents the proposal as harmonizing with U.S. policy, but in reality it is far weaker than U.S. policy - not just on targets, but also on other key policy details.

Supporting details:

- Under the new proposal, reductions in annual emissions in 2020, relative to business-as-usual, would total 15 megatonnes (Mt) in the oil and gas sector, compared to 48 Mt under Turning the Corner. The new proposal would leave the oil & gas sector's emissions 37% above the 2006 level in 2020, compared to 6% below under Turning the Corner.
- For an existing manufacturing or mining facility, the new proposal is three times weaker than Turning the Corner, in terms of reductions in annual emissions in 2020 below business-as-usual. New facilities would receive free emissions allowances to cover all their emissions, which implies that they would not have to make any reduction in emissions below business-as-usual.

- In reality, industrial emissions in 2020 would be even higher than the new, weakened targets, because the new proposal would allow firms to make payments into a technology fund instead of making actual emission reductions.
- Environment Canada's economic analysis published in March 2008 already showed that Turning the Corner fell well short of meeting the government's national GHG target for 2020. The dramatic further weakening of industry targets in the new proposal would mean that Canada could only meet the government's national target by making extraordinarily steep emission reductions in sectors like transportation, buildings and agriculture. Since the government clearly has no intention of implementing such draconian policies in those sectors, the new proposal demonstrates that the government has no intention of meeting its national GHG target for 2020.
- The documents are presented as a proposal to harmonize Canadian policy with the U.S. Waxman-Markey bill, passed by the House of Representatives in June 2009, and the basis for the bill now being debated in the Senate. But the new proposal is weaker than Waxman-Markey in four major respects:
 1. **Technology fund.** As noted above, the new proposal would allow firms to make payments into a technology fund instead of making actual emission reductions. This option is not included in the Waxman-Markey bill.
 2. **Treatment of the oil & gas sector.** The Canadian proposal categorizes the oil and gas sector as an "emissions intensive, trade exposed" (EITE) sector, opening the door to more generous targets for the sector. In contrast, the leaked documents acknowledge that Waxman-Markey does not consider oil and gas as an EITE sector.
 3. **Weaker sectoral targets.** While Waxman-Markey requires EITE sectors to reduce emissions by 10% below the 2005 level by 2020, the new proposal would require conventional oil & gas as well as oil sands operations to reduce by 10% below business-as-usual levels instead - a much weaker requirement.
 4. **No auctioning of allowances.** The new Canadian proposal would give 100% of emissions allowances to industry free of charge, but Waxman-Markey takes the "polluter pays" approach of requiring firms to buy some allowances through an auction from the outset, with increasing proportions auctioned over time.