



Climate Action Network
Réseau Action Climat
Canada
412-1 Nicholas Street,
Ottawa, Ontario, K1N 7B7
Tel: (613) 241-4413
email: dcenet@magma.ca
www.climateactionnetwork.ca

Memo

To: Howard Brown, ADM NRCAN
From: Climate Action Network Canada
Subject: Follow-up to Emissions Trading Workshop March 22, 2004
Date: Tuesday, April 06, 2004

The Climate Action Network would like to thank the Large Final Emitters Group for providing the opportunity to participate in the Emissions Trading Workshop. The Climate Action Network, in consultation with its representatives at the March 22, 2004 Emissions Trading Workshop, would like to provide the following comments:

1) Environmental Integrity

As ADM Brown said at the close of the meeting our greatest concern is with the environmental integrity of the emissions trading scheme. Many environmentalists are skeptical of emissions trading in general but are willing to be convinced that Canada's emissions trading scheme will deliver what it promises. Much of the workshop discussions centred on design features that could threaten the environmental integrity of the scheme by creating loopholes and the possibility of double counting.

In a meeting with CAN about a year ago, ADM Brown said the large industrial emitters were going to be required to deliver 55 megatonnes at their expense. This is a relatively modest target for a sector that produces half of Canada's emissions. Nothing in the design of the program should effectively reduce this commitment or allow industry to claim credit for actions undertaken or financed by governments.

2) Transparency

The people of Canada have provided industry with an intensity based target (at its request) creating a liability for Canada if production growth exceeds BAU estimates. It is not acceptable that any of the information on allocation and compliance not be publicly available and verifiable. CAN recognizes that in very few cases there might be an argument for confidentiality. CEPA has rules and guidelines on confidentiality that stipulate full disclosure unless a convincing argument for confidentiality is provided to the responsible minister.

3) Research and Development

Canada has the best tax treatment of Research and Development in the G7, has invested \$500 million in the sustainable technology fund and has numerous other supports for research and development available. This already constitutes significant recognition of R&D in complying with the Kyoto target. There can be no provision in the emissions trading scheme for credit for R&D without weakening the 55 megatonne target.

4) Clean Energy and DSM

Although CAN is an enthusiastic supporter of clean energy and demand side management there is no logical role for them to play in an intensity-based trading scheme. The Climate Change Plan for Canada (November 02) commits to implement a number of targeted measures to assist in this area. Granting credit in the trading scheme would almost inevitably lead to double counting and a weakening of the plan. Investments in internal DSM and clean power that reduce emissions from final emitters are already eligible for credit in the scheme and will assist large emitters in improving their intensity.

Note: The Climate Change Plan for Canada significantly underestimates the potential reductions available from clean energy and demand side management. CAN has provided two papers, Kyoto and Beyond and a commentary on the differences between it and the federal plan. To date, there has been no consultation on the overall Climate Change Plan for Canada. Nor has CAN or the author of K&B been approached by NRCan to discuss our very different conclusions. CAN notes that significant numbers of federal and provincial officials have downloaded Kyoto and Beyond.

This key area of Canada's response to climate change should be the subject of consultation and discussion.

5) Vagueness does not lead to clarity

CAN notes that it is very difficult to continue discussing the emissions trading scheme under a veil of secrecy. The only relevant numbers shared by NRCan, except for the proposed targets for the electricity sector and Dupont Canada, are 15%, \$15 and 55 megatonnes. Even freedom of information requests for the numbers behind the BAU projection underlying the Climate Change Plan for Canada came back with basic information blacked out. Effective discussion of the design of the emissions trading scheme or contemplation of the adjustment sought by industry is impossible without at least a rudimentary breakdown of the different sectors and subsectors.

6) Consultation

Ongoing meaningful consultation on the development of the emissions trading scheme is of demonstrable value. CAN suggests that the Treasury Board guidelines which urge all departments to establish meaningful and timely consultation processes be used to create more formal consulting relations with all stakeholders. The Treasury Board urges departments to "Consider providing resources to groups and individuals to enable their participation, particularly if they might otherwise be under represented." (http://www.tbs-sct.gc.ca/asd-dmps/guides/q6_e.asp)

The Climate Action Network Canada would like to meet with you and other stakeholders to establish the most appropriate ongoing consultation process for Large Final Emitters.