

CARBON EMISSIONS: IMPROVING GLOBAL EFFORTS THROUGH PROVINCIAL COLLABORATION

Issue

Carbon pricing systems for heavy emitters across Canada have the objective of promoting innovation, creating a shift to low-carbon industrial processes, reducing emissions and addressing competitiveness concerns.

Currently, federal policy objectives are not being met by New Brunswick, Alberta and Ontario's pricing systems, while BC's system exceeds the federally established level.

As our reliance on fossil fuels phases out, there needs to be another source of energy available for industry. The prime option is electricity, however, the electric grid is heavily reliant on fossil fuels and needs to become more sustainable. The Federal Government has the opportunity to create a national strategy on incentivizing electricity producers to reduce emissions along their supply chains and reduce barriers for provinces to share electricity.

Background

Climate change has led to many countries implementing ambitious strategies to transition to low-carbon economies. One such policy initiative is a carbon pricing system aimed at reducing emissions-intensive processes for industries such as cement, steel, lime, oil and gas, pulp and paper and mining. Carbon pricing is recognized globally as one of the strongest policy instruments available for tackling climate change. This strategy is being initiated at the Provincial and Federal levels of Government.

The Federal Plan

The Federal Government has put a price on pollution. Carbon pricing is viewed as an efficient way to reduce greenhouse gas emissions, spur investments in clean innovation, and incentivize individuals, households, and businesses to green their operations. For those switching to low-carbon emissions, a rebate is provided. The carbon tax system is flexible as provinces can elect to use the system created by the Federal Government or legislate their own pricing.

If a province elects to pursue their own carbon pollution pricing system, they must meet the federal benchmark stringency requirements. If a province does not meet the benchmark, then the federal Government will apply the federal backstop, which began on July 1, 2019. The federal carbon pollution pricing 'backstop' system was established under the *Greenhouse Gas Pollution Pricing Act* and adopted on June 21, 2018. It has two components: a charge on fossil fuels, and a regulatory system for large industry, known as the 'output-based pricing system' (OBPS).

The OBPS encourages heavy emitters to innovate and reduce emissions, while balancing competitiveness pressure from external jurisdictions that do not have carbon pricing systems in place. The OBPS was implemented in Manitoba, New Brunswick, Prince Edward Island, Saskatchewan and Ontario.

The Provincial Plans

British Columbia, Ontario, Alberta, and New Brunswick have implemented provincially legislated carbon pricing systems to transition to a low-carbon economy. By electing to implement a provincially legislated system, the provinces are able to set their own targets and goals based on the demographics, economy, and industry of the specific province. The ability to set their own targets and policies has led to varying degrees of success in shifting to a low-carbon economy.

Provinces like Quebec, Nova Scotia, the Northwest Territories, and British Columbia meet or exceed federal benchmark requirements.

Provincial systems in Prince Edward Island, Alberta, and Saskatchewan meet the benchmark requirements for emission sources they cover. The federal backstop supplements these systems by applying to other sources the provinces do not cover.

British Columbia is ahead of the other provinces in their efforts to transition to a low-carbon economy set out in 2008 with a fossil fuel tax across the economy, including for heavy emitters. The fossil fuel tax was frozen in 2013 and restored in 2018 under the CleanBC¹ plan. The plan exceeds the federal requirements for carbon pricing and economic growth; however, it may still not reach 2030 targets.

In 2007, Alberta began with pricing emissions from industrial emitters and extended the pricing to with a levy on fuels in 2017. In 2018, the levy was increased to \$30 and the system for heavy emitters was strengthened. Alberta has now introduced the Technology Innovation and Emissions Reduction (TIER) Regulation². Alberta also accounted for 38% of emissions in Canada³.

New Brunswick's plan meets the federal stringency requirements on emission sources that it covers, which took effect April 1, 2020.⁴ Additionally, Ontario has the federal backstop is in place as their government cancelled the existing cap-and-trade system in October 2018.

A New Policy Direction

As the reliance on fossil fuels is phased out, there needs to be another source of energy available for industry. The prime option is electricity; however, the electric grid is heavily reliant on fossil fuels and needs to become more sustainable. The Federal Government should look to create a national strategy on incentivizing electricity producers to reduce emissions along their supply chains and reduce barriers for provinces to share electricity.

Since there are limited thresholds for Alberta, New Brunswick, and Ontario, the success of reducing emissions within certain industries is unlikely and as such the objectives set out in international

¹ <https://cleanbc.gov.bc.ca/>

² <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work.html>

³ <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html>

⁴ <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work.html>

agreements are unlikely to be met by Canada.⁵ This will jeopardize Canada's efforts to decarbonize and will have little impact on global climate change. Without substantially more ambitious efforts, environmental and economic impacts will continue to grow.

The Cost to Business

Without an adequate supply of energy, fossil fuel reduction and eventual elimination is unlikely. Without the supply of energy such as electricity to meet the increasing demand, businesses will have to delay implementing industry processes that utilize alternate power sources over fossil fuels.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Work with all Provinces to implement carbon pricing systems that will lead to greater market shifts towards low-carbon industrial processes;

That the Federal Government:

2. Set targets to green electricity (see comments re: electricity vs other sources) producers, and;
3. Reduce interprovincial barriers to share electricity (see comments re: electricity vs other sources).

Submitted by the Surrey Board of Trade

⁵https://ec.europa.eu/clima/policies/international/negotiations/paris_en#:~:text=The%20Paris%20Agreement%20sets%20out,support%20them%20in%20their%20efforts.