

It's time for provinces to follow B.C. on greenhouse gas emissions

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Every step of the journey to deal with climate change seems like a mountain to climb as Canadians slowly come to terms with the fact that the very essence of how they use energy has to change.

In the past few weeks, we have seen progress on two important issues. The B.C. carbon tax will get the right price signals into the marketplace. A task force report on carbon capture and storage lays out an action plan to break the link between energy use and greenhouse gas emissions.

But the climate change journey has just begun. Imprisoned by old ways of thinking, many provinces are way off base in the way they price electricity. They also have to give heavy industrial users clarity on what the emission standards will be.

"Canadians are not yet putting their dollars toward their climate change goal," says Adine Mees, president of Canadian Business for Social Responsibility. And they won't until prices at the gas pump force them to make a direct link between their own energy use and greenhouse gas emissions.

The B.C. carbon tax achieves three important breakthroughs: First, it gives energy users - consumers and business - a clear message. Prices for gasoline, diesel, coal, propane, natural gas and home heating fuels are going to rise steadily over the next five years and will continue to rise into the indefinite future.

Second, it shows that governments can tax energy without risking serious economic damage. B.C. has done this by tax shifting, that is imposing a tax on carbon while reducing other taxes so that consumers and businesses still have money to spend on more energy-efficient cars, homes, appliances and so on.

Third, the announcement did not produce a political backlash. Generally speaking, citizens were ready to take the whole package as part of the solution to greenhouse gas emissions.

The ecoENERGY Carbon Capture and Storage Task Force also has the potential to make an important breakthrough by creating the capacity to turn oil from the oil sands, and coal, into cleaner fuels. This requires major investments in taking the existing technologies to full industrial scale, so that industry can segregate carbon emissions before they go up the smokestack and then bury them deep underground.

Because power utilities in Alberta, Saskatchewan, Ontario and Nova Scotia rely heavily on coal-fired electricity plants, carbon capture and storage is an idea around which provinces and the federal government can rally. SaskPower announced recently that it will spend almost \$1-billion (including \$240-million from the federal budget) to convert an aging plant into North America's first clean coal unit.

Much of Alberta's resistance to action on climate change to date has been based on the fear that its energy industries would be put out of business. Those fears were on show last week when Michael Wilson, the Canadian Ambassador to Washington, wrote to members of President George W. Bush's cabinet, asking them to protect the oil sands from the new Energy Independence and Security Act. The act prevents the U.S. government and its agencies from buying fuels which generate more pollution than conventional fuels.

In the longer run, oil and coal will likely be replaced by wind, solar and nuclear power. But carbon capture and storage can be ready to roll by 2015, the task force says, giving Canada the capacity to

continue to exploit its rich reserves of hydrocarbons while limiting their polluting effects. Alberta, for one, is counting on this technology to eliminate 139 million tonnes of greenhouse gas emissions by 2050, about 35 per cent of the expected increase.

Meanwhile, Jack Gibbons of the Ontario Clean Air Alliance continued the theme of getting the price signals right. He says that Ontario electricity users are being subsidized to the tune of \$8-billion (10 per cent of provincial revenues) while, as taxpayers, they are paying the same amount to finance the subsidies.

To get on the conservation bandwagon, Ontario needs to raise the cost of electricity by 60 per cent over time, while reducing taxes by the same amount. Quebec is in the same boat. Marcel Boyer, chief economist of the Montreal Economic Institute, estimates that electricity prices there would have to rise by 50 per cent to reflect full cost.

These old mindsets change slowly. Based on what we know about climate change today, artificially reducing electricity prices is the single worst policy you could advocate if you want to conserve energy. Governments spent 20 years hoping that voluntary measures would get the job done. And during that time, they made promises they could not keep - making the carbon tax taboo, for example. It is now clear to everyone that voluntarism doesn't work, while economic incentives do.

Premier Gordon Campbell has done the other provinces a favour. He made the carbon tax look like a winning proposition. Now it's their turn to get serious about greenhouse gas emissions. That means getting the price signals right and setting emission standards that give heavy industries clear targets to meet.