

Cooling the Hot Air

Canada and the Kyoto Protocol



Canada25
110 Charles Street West
Toronto, ON
M5S 1K9
416.313.3722 (T)
416.313.2999 (F)
info@canada25.com
www.canada25.com



Cooling the Hot Air

Should we wreck the environment or wreck the economy? All too often, the debate over ratifying the Kyoto Protocol has taken just this disappointing tone. But this dialectic is as useless as it is depressing – and now that ratification has occurred, the tone of the debate needs to change. Yes, ratifying Kyoto will force all Canadians to change their energy consumption habits – as it should. More importantly, however, ratification also presents this country with an enormous, historical opportunity: to become a world leader in energy efficiency and alternative energy production through an unparalleled cooperation among businesses, governments and citizens.

This conclusion emerged from a series of discussions held this fall by Canada25, a non-partisan organization dedicated to engaging the perspectives of young Canadians in Canada's public policy debates. Over the past two months, over 75 of our members – from government, industry, academia and the non-profit sector – debated the pros and cons of the Kyoto Protocol, the government's implementation strategy, and the implications for our generation and our country.

The shared sentiment that emerged from these discussions was a palpable disappointment in the federal government's ratification strategy. By prizing immediacy over inclusiveness – and by invoking closure to terminate Parliamentary debate – the federal government alienated exactly the constituencies it should have embraced. Now that ratification has occurred, however, the tone of the debate needs to change. Canadian consumers, businesses and governments need to embrace the opportunities inherent in Kyoto and begin forming the strategic partnerships required to ensure that Canada is not left behind.

After all, the US and the EU are already battling to become the world leader in alternative fuel technologies and energy efficiency – and the winner's stake is incredibly high. Global reinsurer Swiss Re estimates that the worldwide market for carbon emissions trading could reach US \$2 trillion by 2012, while the market for alternative energy could be worth US \$1.9 trillion by 2020. Along these lines, we would like to propose three initiatives that could help propel Canada to a position of global leadership in this critical field:

First, the federal government should establish a national emissions trading program. Following in the footsteps of the UK – which set up the world's first economy-wide trading system in March – Canada should establish a voluntary mechanism that provides innovative Canadian firms with an economic incentive to cut their emissions: the ability to sell their excess credits to emission laggards. (The US successfully adopted a similar "cap and trade" system in 1995 to reduce its sulfur dioxide and nitrous oxide emissions – the main causes of acid rain.) At the same time, however, we reject the federal government's plans to buy emission credits on the international market. Russia's industrial atrophy has already seen the country's domestic emissions fall below 1990 levels, but buying Russia's credits undermines the spirit of the Protocol and amounts to a wealth transfer that is unsupported by our foreign policy objectives.

Second, all levels of government need to dramatically increase their investment in alternative energy research and development. Royal Dutch/Shell estimates that 50% of the world's energy needs in 2050 will come from renewable energy sources. Closer to home, Ballard Power Systems remains one of the world's foremost energy innovators despite its recent stock market travails, while TransAlta has already invested hundreds of millions in alternative energy projects. But the government needs to do its part as well – especially now that the Canadian Centre for Policy Alternatives has shown the long-term economic benefits of these investments. A million dollars invested in alternative energy production or home retrofitting, for example, creates more new jobs than the same investment in traditional energy extraction. Government funding should also support Canadian companies working to clean up the extraction and refining of traditional energy sources like fossil fuels and coal.

Third, we call on Canadian consumers to embrace greenhouse gas reduction with the same passion and principle they brought to recycling programs. We are a generation raised on the "three Rs" – reduce, reuse, recycle" – and we believe that any emissions reductions strategy will fail without active consumer participation. The federal government must demonstrate environmental courage by calling on the



Canadian public to do its part. From higher fuel efficiency standards and emissions surcharges on SUVs to subsidized energy-efficient appliances and tax rebates for retrofitting, public policy “carrots and sticks” can help make reducing emissions a real grassroots activity.

To become a world leader in energy efficiency and alternative energy production – and to meet the opportunities and costs of our Kyoto commitments – Canada needs precedent-setting partnerships between innovative businesses, committed governments and engaged citizens. Canada25 believes that reducing greenhouse gas emissions can be good for business and good for the earth, and we call on Canada to lead the way in proving us right.