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**Chair**

**Mr. Alan Tonks**

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## Standing Committee on Environment and Sustainable Development

Thursday, December 9, 2004

• (0905)

[English]

**The Chair (Mr. Alan Tonks (York South—Weston, Lib.)):**  
Good morning, members of the committee, ladies and gentlemen.

To our invited witnesses, good morning and welcome to the committee. As soon as John has everybody well ensconced in their places, we shall begin.

Members of the committee, and to our witnesses today, the orders of the day are, pursuant to Standing Order 108(2), a study on fiscal reform and environment.

We have with us Mr. Gene Nyberg, the acting executive director and CEO of the National Round Table on the Environment and the Economy; Mr. Jean Bélanger, ecological fiscal reform and energy task force chair; and Alex Wood, policy adviser to the National Round Table on the Environment and the Economy. I'd like to welcome you.

Just as a little bit of a preamble, the House and all of its committees are in a pre-budget mode at the moment. From this committee's perspective, we're certainly interested in a green budget, or in aspects of the greening of the budget, if you will. We're also going to be looking at fiscal reform and fiscal issues as part of the ecological and fiscal system that we are part of, and we will be looking at some of the fiscal implications of taxing policy and so on as part of Kyoto.

We'll be having officials in from the finance ministry on Tuesday, along with the Commissioner of the Environment, and that's again a stage-setting for our budget discussions and Kyoto. And we will also be having the minister here in the first week of February.

So with that introduction and overview, we welcome you. We certainly are always receptive to the views and insights that come from those who are working very closely and intimately in an intergovernmental relationship, whether it's governmental ministries or intergovernmental or non-governmental organizations.

Mr. Nyberg, I guess you're going to begin, and we'll then turn it over. You can then handle the deposition order just as you see fit.

**Mr. Gene Nyberg (Acting Executive Director and CEO, National Round Table on the Environment and the Economy):**  
Thank you very much.

Good morning, Mr. Chair. Good morning, everybody. *C'est un grand plaisir d'être ici ce matin.*

The round table is actually in pre-budget mode, as well. We're just putting the finishing touches to our own recommendations that we will be submitting to the Minister of Finance, hopefully within the next two to three weeks at the outside. We're a little bit limited in terms of how much we can say about those at the present time, but I think we can certainly suggest to you the kinds of directions that we're moving in ourselves, and the basis upon which we're going to be making those recommendations as well. Perhaps you may even want to meet with us later on, once we've finished our work. But if you don't mind, what I thought I would do at the very beginning is just provide you with a very thumbnail sketch of the national round table, in the event that you don't know us all that well.

Maybe I should start by following up in your introduction of us. Jean Bélanger is the chair of our ecological fiscal reform task force. He has been a member with the round table for a long time. He's had a very distinguished career, both in government and business, so the round table has really benefited from his involvement in this subject area for many years.

Alex Wood joined the round table a few years ago, and he's had a lot of experience on this subject as well. He worked in the States for quite a while, and he's the person who manages this file for us on a day-to-day basis.

As I said, I'd like to just provide you with a very quick overview of the national round table because it might help you understand better where we're coming from in terms of the content, of which you're going to hear about today as well.

The round table was legislated into existence in 1994. Our act specifies that our major job is to promote the principles and practices of sustainable development in all sectors and all regions of the country. Obviously that's a very tall order, so what we've chosen to do is to narrow that mandate a little bit for practical purposes. What we have said to ourselves is that we are trying to really generate more balanced concern for the environment and the economy in policy and decision-making. That is a much narrower interpretation of the broad mandate that appears in our legislation.

In terms of our major target audiences, one is of course the federal government, so it's very important that we meet with you, as parliamentarians, but we do spend a lot of time briefing ministers and senior officials as well. But inevitably, as we know, environmental issues have tremendous provincial interests, and the provinces actually have more jurisdiction over many of these issues than the federal government does, so we do have to interface and liaise with provincial governments as needed on specific subjects also.

We have a board of members. There are 25 in maximum. They are appointed by the Governor in Council. They're appointed by the Prime Minister. In fact, the Prime Minister is our minister, through whom we report to Parliament. Our members come from all sectors and regions of the country, but predominantly they represent the business community, environmental groups, labour groups, academics, and social activist groups, so we would look for a broad cross-section of Canadian society to be represented on our membership.

At any point in time, we have about four programs under way. We have a fairly limited budget: \$5.2 million, as you might have noticed in our estimates documents. We have four major programs underway at any point in time. That doesn't mean we're not also still advocating on behalf of reports and recommendations that we have made in the past. At the same time, we're still always on the lookout for new issues that we should be exploring as well, so we're actively involved in what we call issues exploring or scoping work.

In the way these programs are set up, we put in place task forces to oversee those programs. Those task forces are comprised of stakeholder representatives and experts as well. They do their work, they oversee the research and analysis that is done, and they also oversee the consultations that are done. It's those task forces that then actually go into the field and convene consultative workshops on a national basis.

What you really see is successive layers of consultation occurring. We have our membership at the broadest level determining what we're doing and where we go, and they sign off on all our eventual recommendations. But then we have multi-stakeholder task forces that oversee our work. Those task forces are also overseeing larger national consultations, so we're very much out there talking to people who have an interest in the subjects with which we deal.

• (0910)

The product of our work is what we call a state of debates report. That's our signature document that we produce at the end of each program, and it's a very significant term. What we mean by that is that we don't strive to determine the lowest common denominator and an absolute consensus on a subject. We do want to know where people agree, but we are also very interested in knowing where people disagree and what the sources or reasons for that disagreement are. As you might appreciate for public policy purposes, that's really significant. It's actually more important to know where people disagree and why, than it is to know where they agree. We figure that makes a pretty important contribution to public policy discussion.

On the subject of ecological fiscal reform, the round table has had a long-standing interest in this subject—ever since its inception, as a matter of fact. That's not surprising, because we see as our mandate promoting policies that support environmentally sustainable economic development. By definition, we're looking at economic policy, and we want to make sure that economic policies are in harmony with what it is that we're trying to do in the way of environmental policies. That takes you right away into this whole notion of ecological, fiscal reform, economic instruments, or whatever you want to call it.

It also means we have been very involved in debates around industrial policy. Early in the nineties, when the country was engaged in a discussion about prosperity, the prosperity initiative, we were there trying to introduce into the lexicon this whole notion that if you want to be competitive and do well on the economy front, you have to make investments in the environment, as well.

In 1994, you may recall—and it has been alluded to in many documents—there was a report released by the task force on economic instruments and disincentives to sound environmental practices. We took that as our cue, quite frankly, that there needed to be an ongoing capacity in the country to look at these questions, so we took it upon ourselves to strike what we called then a standing committee on economic instruments of ecological fiscal reform. That took on a large life of its own, and what you see today is the product of all those early efforts.

Interestingly enough, from the point of view of our organization, it spun off a lot of other activities that then manifested themselves in individual programs and a lot of individual recommendations, where we think we've had some success. For example, I think it can be said the round table played a key role in making sure the tax treatment of donations of ecologically sensitive land was modified to make it possible for sensitive land to be actually donated and for the people doing it not to be penalized financially. Most recently, in our urban sustainability report, we were the ones who actually drove hard on GST rebates being provided to municipalities for environmental infrastructure investments and that sort of thing. We've been playing a very prominent role on that front. Also, when Prime Minister Martin was Minister of Finance, he asked us to develop a national brownfield redevelopment strategy. From what I understand from Minister Godfrey and others, that is a very key document for people working in this field to understand how these sites can be better developed for both environmental and economic benefits.

Another area that had actually an economic instrument connection was emissions trading. Early on, quite frankly, when the government and the Department of Finance in particular were nervous about touching the whole subject of emissions trading and people didn't want to talk about Kyoto or anything else, the round table waded into that field because we felt it was very important to draw attention to that area as a very important policy instrument. We convened a national consultation that brought together key business folks, environmentalists, academics, and government representatives to talk about different design options for emissions trading systems and what the implications of those different design approaches might be. After we succeeded, quite frankly, the Department of Finance took over, which was great. That's the kind of thing we think the round table should do. We should be out there drawing attention to issues before anybody else is prepared to do so, but at some point it then has to become operationalized. It's then that line departments can do it better than we can.

What you'll hear today as well is that actually the round table, interestingly enough, is going to discontinue its own program on ecological fiscal reform. The reason for that is that it has now become a mainstream component of every program we have under way. Whenever we're looking at other issues, ecological fiscal reform or economic instruments are going to be a big part of it. Things have already developed that way, so we felt that we'd come to a logical conclusion on our current phase of work, so what you're going hear about today is really about the last bit of work that we've done on it.

• (0915)

I'll conclude by saying that we really do regard ourselves as having been innovators on this front. We've been really heartened to see that a number of other groups have now admitted and see that there's a need to look more seriously at economic instruments. We know about the OECD report that has pointed out that Canada doesn't do it enough compared with other countries. The smart regulation panel, with whom we worked closely, has also said that economic instruments and ecological fiscal reform should be approached more seriously in this country.

We're heartened by all this, and we do see progress occurring. We're pleased to now be able to talk to you in more depth about our current phase, which is focused on EFR and energy. This was an approach that we thought was important. Clearly, the country is committed to moving ahead on Kyoto commitments. So we thought we could make a contribution by looking at ecological fiscal reform with respect to energy in three actual areas: energy efficiency, renewables, and hydrogen. Some of the findings we've been able to come up with are very significant and I think will be able to make a good contribution.

I'd like to turn to Jean Bélanger now to fill you in on more detail, where we've come from and where we've arrived at.

• (0920)

**The Chair:** Thank you, Mr. Nyberg.

Mr. Bélanger.

**Hon. Bryon Wilfert (Richmond Hill, Lib.):** Mr. Chairman, before we go ahead I would like to ask a procedural question.

**The Chair:** Go ahead.

**Hon. Bryon Wilfert:** I want to know why we get the documents when we arrive. When were these particular witnesses invited? Why is it that the documentation comes the day of...? It is inexcusable, Mr. Chairman, for members of this committee to come here and not have the information in advance so they can prepare for the witnesses. Quite frankly, this is getting to be too much.

I may be alone in my criticism, but I have to tell you, Mr. Chairman, that the clerk needs to do a far better job in getting the information out. If we don't have it in advance, then I would suggest we don't see the witnesses. With all due respect to the witnesses, it is unacceptable to me, as a parliamentarian, to be without documentation in advance to enable me to engage in any proper discussion.

**The Chair:** Mr. Bigras, is yours on the same point?

[*Translation*]

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** I totally agree, Mr. Chairman, with what the parliamentary secretary said. There are significant delays in the transmission of documents. Very often, we get the notices very late, sometimes at 5:30 p.m. It's totally unacceptable, in terms of both documentation and notices. So, to be able to appropriately question the witnesses and be constructive, I agree with the parliamentary secretary that there should be more rigour, and that the information should be provided earlier in the future. I hope the new session will be more constructive in that respect.

[*English*]

**The Chair:** Thank you.

Mr. Mills.

**Mr. Bob Mills (Red Deer, CPC):** All I would add is that, having sat on three different committees over quite a large number of years, I haven't seen any other committee operating any differently. It is totally not acceptable. I agree with Mr. Wilfert 100%. For us to do our job, obviously, we should have it a couple of days ahead of time, at least, to give our staff an opportunity to look at it and highlight the areas for us. But it is not a lot different from what I've experienced since I've been here. It has been a long-term frustration.

**The Chair:** Thank you, Mr. Mills.

Mr. Cullen.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** I'm new here, but working in the private sector, we had much more of a system where things were always in advance of any board meetings or anything like that.

In order to not take up valuable time this morning, I wonder if we could push this to the subcommittee to try to figure out a way to actually remedy this, to push things forward so we can spend our time hearing the witnesses and try to understand their testimony as best we can with what we have.

**The Chair:** I appreciate that, Mr. Cullen.

Mr. Wilfert, if the chair could beg your indulgence, the chair's experience on these matters is that when a point of order is raised, that point of order is duly noted and the committee deals with it within the rhythm of its deliberations.

May I suggest, since we have our witnesses, that we not break their train of thought, that we encourage them to continue their deputation? After they have finished, we'll have a discussion on this issue, a full discussion. I too have been on a number of committees, and I've always found it to be rather... It's not in keeping with the spirit and the rhythm of the committee to break out into a procedural discussion while witnesses are attending.

Can we table this for the moment? We'll come back to it, Mr. Wilfert, and we'll then have a discussion on it.

● (0925)

**Hon. Bryon Wilfert:** Mr. Chairman, I'll accept your comments, but I have to say, when I was parliamentary secretary on finance I never experienced this. I also have to tell you that if this is not corrected, then I will object strenuously to any witnesses in the future without the information in advance. It is not acceptable.

**The Chair:** All right. Thank you very much.

Mr. Bélanger, the floor is yours. Merci beaucoup.

[*Translation*]

**Mr. Jean Bélanger (Chair, Ecological Fiscal Reform Task Force, National Round Table on the Environment and the Economy):** Thank you, Mr. Chairman.

I would simply like to mention the fact that we are here in response to an invitation we received Tuesday. So it was difficult to obtain the required documentation earlier.

First, I will make a few comments in French. Then, I will speak in English, because most of the discussions we had were in English. In fact, it is often difficult to translate technical terms. However, I will be happy to answer all your questions.

Mr. Nyberg already mentioned that this is a program that began around 2000. We are now in phase two of this project. In my opinion, it would be appropriate to define from the start what we mean by ecological fiscal reform. Our definition was: a strategy for redirecting government taxation and expenditures to create an integrated set of incentives to support the shift to sustainable development.

When we began this work, around 2000, it was a variation on what seemed to be happening at that time. We invited European and American representatives of different parties to come and speak to us on this issue. What seemed to be the trend at the time was simply tax reform. We were therefore interested in what was going on in this area. The emphasis was on tax reform, on raising taxes, but we believed it was much more important to examine the other items of a budget, such as expenditure or tax incentives, but also programs; in other words, everything included in a budget. So this is the definition we adopted at that time.

[*English*]

We went on and we published the first report. I notice that most of you people have copies of that report. It was a learning process. Really, I learned an awful lot from it, and I think that's the main spirit in which we should consider what this first report is about.

Essentially, we looked at some key lessons. First, it seemed to us that it was uniquely appropriate for EFR to constitute an important element in implementing sustainable development. It added to the total picture.

The second was probably the one that was the most difficult. I had worked in industry before, and it seemed that a lot of the environmental subjects that were talked about were talked about within what I would call the environmental, health, and safety aspects of a company, the EH and S. These were the technical experts that dealt with those issues. At that time, most of the issues were looked at from a command and control approach.

When we looked at this aspect of trying to bring fiscal aspects into the picture, the difficulty became that we had to integrate a number of disciplines that, I have to say, have not too often been integrated. I'm talking about the technical experts in companies, the ones who run plants and so on, and the ones who are more on the economic side, the taxation side, and so on. Very often we found that even within the companies, these people hadn't been talking to each other.

So it was not just government that may have had problems in relating departmental considerations; industry had the same kind of problems. Obviously, the environmental people were also looking at it from their own perspective. Even in the universities, there wasn't much of an interdisciplinary approach at that time.

At any rate, this to us was one of the major findings, that we had to bring together people who normally had not really talked together. It therefore required leadership, openness, new actors, and new knowledge. We had to pull this thing together.

Another aspect was that it was fine to talk about EFR options, but these had to fit within an overall policy integration. Mr. Nyberg just mentioned the fact that this was the last time we'd do a specific study on EFR, because it really is almost like the tail wagging the dog. What we need to look at is how does the approach of EFR fit into the solution of a broad issue, be it urban sustainability, any other areas of fisheries, and so on? How do these things fit together, and how can budgetary items help assist in getting there alongside aspects of command and control, voluntary, and other elements?

One of the other lessons we learned is that good data is absolutely needed to do this, but good data is not readily available. We found that, for many groups, particularly if you're going to be talking about long term, long term gets to be difficult when you're talking three or four years ahead. When we get into the next phase, talking about trying to look 25 years ahead, it becomes even more nebulous. So we need good data to at least advance on a solid foundation.

Having done this first phase of looking at, and learning our lessons from, some of the aspects—agricultural landscapes, toxic chemicals, sulphur in diesel, and eventually sulphur in fuel oil—we then decided to look at where we could apply it even further, at where we could maintain and continue that learning process.

● (0930)

At that point, we decided to look at energy and climate change aspects. How can ecological fiscal reform and fiscal instruments be brought into play in a better way? Obviously, this is an extremely vast subject. We brought a number of people together and eventually decided on three specific areas that we would look at, areas that we hoped would lead the way for us to broaden it and help us understand how there could be synergies in all of these aspects.

We started out looking at three sectors within the energy context. We looked at energy efficiency, hydrogen—everybody is talking about the hydrogen economy—and emerging renewable energy. Those are the three in which we set about to have three groups, scoping groups and task forces, that brought together all the learning. We had three research institutions that developed the modelling techniques, each for their own aspects, and we advanced from those aspects.

We looked at how fiscal policy can play a better role in addressing the long-term issue of carbon emission reductions. There are a number of findings, but at this time I'll have to be more general. We still need to get approval from our plenary meeting, which should be within the next few days, but at this time, let me give you an indication.

One of them is that there is no doubt that economic instruments, fiscal instruments, can make a significant contribution to the achievement of long-term reductions of energy-based carbon emissions. Not by themselves—in other words, they are not the sole instrument that is to be used—but added to a picture, they integrate very well and can support the objective.

A second part is that there is really no inherent contradiction between promoting long-term carbon emission reductions and pursuing Canada's other societal objectives, such as energy security, energy supply, economic development, and so on, as long as there is a well-thought-out fiscal policy that works with the other elements. It can't be done in isolation. Therefore, an obvious lesson is that the departments that are mainly preoccupied with the fiscal aspects need to be integrated very closely with those that will look at technology developments.

One other key finding is that people who are promoting energy technology development have to be very careful, because that does not necessarily equate to policies of reduced long-term carbon emission reductions. In other words, we have to be very careful that it is not only a *fait accompli* and if we improve energy technology that we will have less carbon emission per se. We found this in some of the scoping work that we did.

Fourthly, there are different stages of technology development. When we look at industrial energy efficiency—because we looked only at the industrial side, not home furnaces, and so on—on the industrial side, those could be mostly considered as mature kinds of improvements and technologies.

We believe there has to be a focus. If there are going to be fiscal instruments, there has to be a focus on the demand-pull instruments that facilitate and promote the uptake of existing technologies. For emerging energy technologies, such as those represented by the emerging renewables case study, the focus should be on instruments that help bridge the price gap between current technologies and emerging ones.

● (0935)

Finally, on the longer-term carbon emission reduction technologies—here we're really looking at items that are associated with hydrogen—the results show that we should focus mainly on promoting research and development to address critical, technical,

and economic barriers. So it's more of a research and development aspect.

We also recognized that there were some problems. The problems are associated with the fact that this energy marketplace is changing from day to day. Therefore, the basis upon which we are forecasting and doing economic modelling is very much affected by the kinds of foundations you have. For some, those forecasts that were issued by various groups were inaccurate almost from the point at which they were released. We're not blaming anybody. All we're saying is that this is one of the difficulties when we move forward on these things.

Another problem is the absence of an emerging renewables mapping exercise. It seems to us this is one of the major impediments. There are some steps being taken and some are starting in the wind areas, but in terms of mapping the country for where the advantages are to accrue, we do not have the mapping really at the level that is usable to provide a straight foundation at this time. I believe it is not an easy area, but there doesn't need to be an opposition to the environment and the economy aspects; they can work together. It does mean we have to bring together a lot of disciplines that traditionally have not worked easily together, be that in governments and in industry as well.

Thank you very much, Mr. Chairperson.

● (0940)

**The Chair:** Thank you very much, Mr. Bélanger.

Mr. Wood, do you want to...?

**Mr. Alex Wood (Policy Advisor, National Round Table on the Environment and the Economy):** I'm just here to answer questions.

**The Chair:** Okay, good. Thank you very much.

Okay, we'll take it back to the committee, and the first questioner is Mr. Richardson.

**Mr. Lee Richardson (Calgary Centre, CPC):** Thank you, Mr. Chairman.

I would first like to thank you very much for appearing, and I apologize for the short notice. I think it's important that the committee hear from you. I've already been impressed with what we're hearing.

As you know, we've taken on the implementation of Kyoto as a key aspect of the committee in this session. I think it's very important to the committee to hear your presentation, particularly on ecological fiscal reform prior to the commencement of that study. I think this will be an integral part of our study and how the rollout of the implementation of Kyoto here in Canada goes.

Again, with regard to the short notice, I apologize for that. I think you're aware this is a fairly productive and thorough committee—it's not a nine-to-five job. I'm grateful to you for fitting into our agenda and coming forward with your presentations this morning.

With that, Mr. Chairman, I would like to ask the environment critic for the Conservative Party, Mr. Mills, to begin the questioning.

**The Chair:** Thank you, Mr. Richardson.

Mr. Mills.

**Mr. Bob Mills:** Thank you very much, gentlemen, for appearing.

I have a lot of questions I could ask you, and I think the place to start probably is where you ended. That is regarding the whole fiscal part of developing a long-term vision for where we're going in terms of transitional fuels and so on.

When meeting with an awful lot of the people in the alternate energy, in the future areas, fuel cells, hydrogen, etc., one of the questions they have is, where are we going to get the R and D money from? How are we going to attract the investment that's necessary to get us into commercialization and get us over the long term if government doesn't have that vision?

I wonder how you see us as a government playing a role in not handing out.... The last thing they want is another government program where 50% is used up in administration and the other 50% goes off to God knows where and never really is accounted for. How do you see us getting the money to those legitimate R and D projects that there are so many thoughts on out there? That's my first question.

**Mr. Jean Bélanger:** Mr. Chairman, first, I think it is absolutely essential that there be a long-term look at things. We can go by feel and say there is certainly a demand at this time for funds to help in a variety of those renewables and new technologies like hydrogen and fuel cells and so on, but I think we need to have a broad look at where all this is heading.

That is why we really put the accent on a 25-year term. As an example, if you look at the whole hydrogen economy, that is exciting. That area has an awful lot of potential for Canada, where there are a number of companies that are setting themselves up to be very productive. These things aren't going to happen tomorrow. They're not going to happen by 2012. In fact, the group that did the case study on hydrogen points out that the real commercialization is going to come after 2020. This is when the bulk of it is going to come.

So we have to position all of these technologies in their proper time sequence—the coordination. What we have tried to do.... We have the case studies. They are individual ones. Our state of the debate report is trying to pull these things together and it is asking whether this fits a picture, and the picture is that there are certain things we can do now, like energy efficiency. There are other things

we can do in various stages, but we can move forward fairly quickly. And we're talking about renewables—wind—and we're already hearing about wind projects going through. But there are others, like run-of-the-river hydro, and so on. Those will take perhaps longer to bring together, but they all have their....

What we're urging is a long-term look and to fit a picture together, but don't think you're going to have it stated and it will be like that forever. Make sure you review it periodically, because there will be changes that will occur. There will be changes in technology.

● (0945)

**Mr. Bob Mills:** The problem is we have so focused on Kyoto and so focused on the targets and so focused on 2008 to 2012 that we have put ourselves in the panic situation that Tommy Banks may have revealed when he said that we have to double the price of gas, we have to double the price of power and electricity, and that's the only way we can achieve these targets, so let's do it today.

Obviously that's not the case. I agree 100% with you about the long-term vision, and I am convinced that the technology will get us there. It's just a matter of getting it there in the right order and evaluating it and commercializing it. But we are going to have to provide some R and D incentives.

What I find troubling is that we've spent the amount of money we have, \$3.7 billion, and we have programs and some people are changing their furnaces and we have fridge magnets all over the place, but we really don't have a heck of a lot long term on where we're going. And whether it's tidal or whatever it is, there are just so many options there.

I think you mentioned that some of the technology—I think it is your point three—doesn't take into account the carbon that's used. I did a lot of research on wind energy over the summer and visited windmills, visited Denmark, their research facilities, and found it very interesting. The first question is “How much energy is used to make a windmill? We hear the opponents saying, “Well, you'll never recover the energy that it took to make the steel, to make the parts”. Their answer to that—and this was universal—is that six months of energy recovery is what it takes for the energy used. I'm believing that this is true, because I heard it so many times. I think that's what you are getting at. Is that correct?

**Mr. Jean Bélanger:** I think what is important in here is that when we're talking about taking a long-term view, we must also look at the life cycle, how we get to the point at the end. As an example, on energy efficiency, you can improve the efficiency from an energy standpoint, but on the other hand, what results may be a technology that will be more carbon-emission-intensive. This can happen.



We're saying don't go on to one aspect, but make sure you're recognizing that as you arrive at the point of using this energy that is more efficient, you remember what's gone on before that. I think in some of those areas, like wind, the turbines, what you're hearing is probably right. All we're trying to pinpoint is in fact the importance of looking at a lifetime.

• (0950)

**Mr. Bob Mills:** Can I read between the lines on something like ethanol? The production of ethanol can sometimes actually cost you more energy than you can recover from it. Is this an example?

**Mr. Jean Bélanger:** There need to be some specific studies on the life cycles of specific situations. Broadly, I would agree with you. If you are talking about waste biomass, that is something totally different from growing the wheat or whatever to make the ethanol. Those are different circumstances. Again, this is what we're talking about by life cycle.

**Mr. Bob Mills:** On the conflict between federal and provincial government jurisdictions—and even the municipal government jurisdiction, as in garbage or things like that—what would be your opinion about the federal government being that clearing house for technology?

Let's use garbage as an example. You go to the federal government, and it says it's not a federal area. You go to the provincial government, and it says it's really a municipal area, not provincial. You go to the municipality, and it says it doesn't have any money and can't do any research and development, so it just has to do what it's always done.

It would seem to me that the answer here is for the federal government to become the clearing house for much of this new technology and for most of these new incentives, whereby the provincial and municipal governments can then refer to this centre of knowledge, if you want, and move it from there. Why should each province, each municipality, be expected to reinvent the wheel, so to speak?

Am I thinking correctly on that? What would be your comments?

**Mr. Gene Nyberg:** I think you raise, obviously, a critical point. We haven't addressed it directly, but I would say that the round table probably would take the view that, yes, a coordinating function needs to be done better, perhaps at the federal level, and that there is a need for more federal-provincial-municipal cooperation. But in the end it's the lower levels of government that deliver on a lot of these, so they should still maintain a lot of discretion and ability to do that also. We don't want to take that ability away, or complicate it.

I just want to go back to your previous point to add something—and I know that Alex wants to say something too. The thing that really struck us about some of the work we've just completed—and it may sound counterintuitive, but it's really quite amazing—is that you can't equate reducing energy use with decarbonization. It doesn't happen automatically.

It may seem like a self-evident conclusion, but it's a very powerful one, that as a country we have to make up our minds about what our priority is going to be. If it's going to be decarbonization, that may take us down very different energy paths, different technology paths, and also, from our point of view, many very different fiscal policy

paths. That's the whole point. The thinking that goes into devising these tools and these policy approaches, on the fiscal side and others, needs to be very much more refined than perhaps it has been.

I know that Alex wants to say something as well.

**Mr. Alex Wood:** Yes, Mr. Mills, I have just two more points to add to what Jean and Gene have said.

On the R and D question, I think this issue has preoccupied a lot of people, obviously. What should the government's role be in promoting R and D and promoting the commercialization of technologies?

A lot of people have come to the conclusion that the current fiscal regime targeting R and D, essentially the SR & ED credit, the scientific research and experimental development credit, is actually one of the better regimes in relation to our OECD competitors.

The problem as you alluded to it then becomes, what happens further up the value chain? How can the government be involved in pushing that bench-top research out into the marketplace? That gets us into difficult questions of what the role of the government should be in this area. The government, as you might expect, is pretty allergic to playing a role in actually deciding which of these technologies should then profit from public resources. Now, obviously, in some way, shape, or form we're doing that, but it does raise some pretty tough questions for the government as a whole.

One of the things we've been interested in looking at as a partial response to this is actually the whole investment climate that exists in the private sector for facilitating it. We're looking at whether there is in the tax system, in fiscal policy, a way to actually steer the much larger private resources that exist toward this kind of question, rather than relying strictly on public resources. It's a clear example of how the fiscal policy used creatively can be a much greater player than it currently is. It can channel much larger resources in terms of steering private sector money into some of these questions than is currently the case.

Just as an add-on, also on your question about the role of the federal government as a clearing house, it's a very interesting question in terms of the renewables, for example. That's where you have probably the most direct interplay of competing provincial and federal jurisdictions—in fact, not competing, as power generation is a provincial jurisdiction. But one of the things we're going to be talking about and one of the things we've concluded is that there is a very strong case to be made for the federal government to play what we call the normative role—basically setting standards—on a national definition of green power, for example.

If provinces are going to be adopting green power strategies and want to be developing markets, for example, to trade green tags or renewable energy certificates across provinces, there's going to have to be a national standard on what constitutes those things. That's what the appropriate role of the federal government should be, in our view, on this kind of thing.

● (0955)

**The Chair:** Thank you, Mr. Wood.

Thank you for those questions, Mr. Mills.

The chair has allowed some latitude; I didn't want to break into that particular part of the discussion.

We're out of time on this. I'll come back to you, Jean.

Mr. Bigras, you're the next questioner.

[Translation]

**Mr. Bernard Bigras:** Thank you, Mr. Chairman.

I have the feeling I'm floating on a cloud this morning. I read your recommendations. First, I think this report was produced with a great deal of rigour. It includes a cocktail of measures, but it seems to me you are completely off target. It's my impression. I always make mistakes.

I hope that, in the recommendations you will be making to the government in two weeks, you will follow a direction that will raise, among other things... I'm referring to the OECD report. I'm also referring to the report of the Commissioner of the Environment and Sustainable Development, which makes an acknowledgment. It seems to me that, before introducing measures that are quite appropriate, we should at least make an acknowledgment. In my opinion, fiscal policy in Canada has failed. There is currently no tendency towards an environmental fiscal policy.

I think you should read the environment commissioner's report. It is clearly indicated that, for more than ten years, no environmental strategic assessment has been applied by the government. When you have a government that decides to subsidize companies in the automobile manufacturing industry, such as Ford, but at the same time does not require them to apply strict manufacturing rules and standards of the same type as those required in California, and that government continues to implement legislation like C-48, which provides fiscal incentives to oil companies greater than those provided to the environment and renewable energy industry, I think you first need to make a certain acknowledgment and then, based on that, make recommendations. This morning, I do not hear this message. I hope that, in two weeks, you will indicate to the government that the current situation is totally unacceptable and is not oriented towards an environmental fiscal policy.

Do you think means, tools, and maybe a regulatory obligation should be implemented to ensure strategic environmental assessment will be applied in Canada? The basis is the Department of Finance, but the Department of Finance has not been the most transparent in recent years with both the Commissioner of the Environment and Sustainable Development, and parliamentarians. So, do you intend to ask the Department of Finance to open their books and tell us really how they intend to apply a fiscal policy tending towards ecology, towards an environmental fiscal policy?

● (1000)

**Mr. Jean Bélanger:** There is no doubt that, when we initiated this project, we needed to try to take small steps before going too far. In fact, ecological reform was not really recognized. This fact is absolutely accepted.

We had certain meetings with Department of Finance officials. They are interested in our project. As for the acknowledgment, our project was very specific. The objective was to try and see how such an approach could be applied, rather than making a general acknowledgment. I'm not saying such a project should not be done, but in our opinion, what we wanted to do was to apply it directly.

You referred to the OECD report. We definitely support it. We add that we should go further in as much as the other countries do the same part.

**Mr. Bernard Bigras:** Is it possible for the recommendations you will make to the government in two weeks to be submitted at the same time to the Sanding Committee on Environment and Sustainable Development to contribute to our future discussions?

**Mr. Jean Bélanger:** Normally, our documents are public. So yes, definitely.

[English]

**The Chair:** Thank you, Mr. Bigras.

Mr. Simard.

[Translation]

**Mr. Christian Simard (Beauport—Limoilou, BQ):** I will continue on the same topic as my colleague. Eco-taxation ecological fiscal reform does not sound too good in marketing. Something else needs to be found. This is called fiscal incentives or “disincentives.” It's not so French, but we could use the phrase “green taxation” or “environmental taxation.” It seems to me this concept is not that recent.

I have worked a great deal in environment. I was the director general of the Union québécoise pour la conservation de la nature. I participated in the discussions of the round table, of which I was a member. Mr. Bélanger, I believe we met in NAFTA finance committees, where we had to swear never to circulate documents.

All I can see is that studies will be carried out for the next three or four generations. I have the impression we might be overwhelmed by the consequences of greenhouse effects before these studies are completed. This deadline seems distant and somewhat wrongly targeted. I know the limits of a round table for having participated in several. It's all about compromising, where it's always the other guy's fault.

I recently attended a session of the Standing Committee on Finance. Representatives of the automobile distribution industry stated that heavy motors should not be taxed, that is was counter-productive, that it would prevent the industry from improving its technology, and in the end, it would be detrimental to the environment. Every sector claimed it would be affected.

However, there comes a time when the situation and problems become urgent. Greenhouse gases have increased by 20%, while they should have been, and still should be reduced. It's a global responsibility.

I did not hear the members of the round table question oil company taxation when Bill C-48 was adopted. This bill reduced their taxes from 28 to 21%. Analysing the current tax laws and corrective actions would be worth a million studies on an eventual diesel engine subsidy program. It's fairly traditional. In the end, you sometimes propose subsidy programs, while correcting the current taxation system would be a very nice plan. Given its structure, can a round table like yours achieve this? I don't know.

I find your proposal a little disappointing. I would like you to respond to these rather sad but realistic comments.

• (1005)

**Mr. Jean Bélanger:** In general terms, as I mentioned earlier to Mr. Bigras, I think one of the important things to do is to establish a deadline beyond 2012. Subjected to such a deadline, we are forced to provide answers that may go against the benefits that could arise if a chance were given to different groups and technologies to develop in a coordinated and orderly way.

As far as we are concerned, I'm not saying it could not be done. We are a group who conduct studies, but in the long term. We act behind the comings and goings of the activities relating to a bill. Our process requires questioning on the part of all parties involved, which takes more time. Something similar should therefore be considered.

It is very difficult for us to refer to a certain bill and manage to stay within our normal process. We realize that work could be accomplished in the long term, but this would definitely be colossal work. We are always faced with the problem of project funding, not to mention we often need to develop the necessary information, because it does not exist.

[English]

**The Chair:** Thank you, Mr. Simard.

I'll go now to the other side, so to speak.

Mr. Scarpaleggia, and then Mr. Wilfert.

**Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.):** Thank you, Mr. Chair.

My question has to do with tax-deductible transit passes. Do you have an opinion on that? I seem to have heard that the provincial government of Quebec is actually looking at it now. Would this bring increased ridership of public transit systems? I'd like to hear your opinion. Is it something you would propose to the federal government?

**Mr. Gene Nyberg:** It is. We've been on record as supporting that measure for many years. That's not to say we'll duplicate that support effort again this year. It's been almost universally endorsed by all our members, but when we've had discussions with finance department officials on that subject, it's not that they're opposed to it; the problem they come up with is the argument that for the cost per tonne of greenhouse gas reduction, it doesn't really pay for itself well, compared with other measures that could be taken. It's an interesting argument. We don't have the capacity to do our own modelling in that respect to dispute what they've concluded, but that is the conclusion they've come to. As I said, we've been out there advocating for implementation of that measure, but if they feel it doesn't measure up in terms of effectiveness as well as others, that's their call, I guess.

**Mr. Francis Scarpaleggia:** It always rests for the finance department on the cost benefits; each fiscal measure has to produce a net benefit in terms of some criteria.

**Mr. Gene Nyberg:** Yes. I must say that if we have a criticism of it, it is that we wish they might be a bit more transparent with us in sharing with us their analyses so that we might be able to do something with them as well and have more of an ongoing exchange on these subjects, rather than putting us in a position of making submissions but not knowing why things might be rejected, for example. We could do our work better if we had some concrete feedback.

**Mr. Francis Scarpaleggia:** You'd like to be able to see the finance department's argument in all its details so that you can flip through it.

That brings me to a related question. There's a coordinating committee called the Environment and Sustainable Development Coordinating Committee. It's a committee of deputy ministers. Do you follow the work of that committee as best you can? Obviously, it's taking place within the public service. Do you think they're doing a good enough job sensitizing all government departments, including, no doubt, the Department of Finance, to the need for integrated measures government-wide to promote sustainable development?

• (1010)

**Mr. Gene Nyberg:** Our reading of it is that it doesn't function as well as we would like it to work. We at the round table, for example, don't meet regularly with that group and we think we should. Part of the problem is that they see us as being outside of the system, so it's a bit of a problem: we're half in, half out.

That being said, I think they are shortchanging themselves by not drawing us in a bit more to help them think through issues. My understanding is, quite frankly, that many of the deputies who go to those meetings regard it as a sideshow to the really important things they have to do. It isn't central. The round table many years ago organized what we called a leaders' forum or dialogue on sustainable development. We brought every deputy minister in the federal government together with key senior business and other people to talk about how the federal government ought to develop a sustainable development strategy. Departments are supposed to do it, but there's no overarching federal sustainable-development strategy.

It was very revealing. The Clerk of the Privy Council at that meeting said it was not in any deputy's job description that they be assessed on how they actually accomplish some of these sustainable development objectives. So yes, it's taken somewhat seriously, but it's clearly not being taken seriously enough.

I noticed even in the Department of Finance's response to Johanne Gélinas' report—it was very revealing, and it's always troubled us—that the environment is considered to be a social policy issue. It's not; that's the whole point. We've always maintained it's central to the functioning and the well-being of the economy.

This is where we've been heartened as Minister Dion has come out recently and has defined a *problématique* that says yes, the environment goes to the heart of the economy. If we don't do it right, we're going to be shooting ourselves in the foot economically. There are huge opportunities out there that can be taken advantage of as well.

Frankly, the government itself is not mobilized to do this quite yet. I know the minister is trying to do it in his own way. There is a new cabinet committee, which I think they call environment and sustainable economy, chaired by Minister Emerson. That's a promising development. It's an ad hoc committee, I understand, so they will be seeing how it actually evolves and manages to handle files, but all the major departments that have environment and economy responsibilities, including Health too from the social side, are included there.

So there are attempts being made to put structures in place to overcome some of these problems.

**The Chair:** Thank you.

To continue with the balance of the time, we'll go to Mr. Wilfert.

**Hon. Bryon Wilfert:** Thank you, Mr. Chairman.

First I'll pick up on your last comment. Yes, the minister has talked about the environment and competitiveness in the same sentence, and it clearly requires a cultural and institutional change that has not been seen around here for a long time. You indicate to us in your comment at the end that we're not mobilized to do it.

Do you have any suggestions at the present time as to how we could mobilize to do it, given the silos we have here? Having spent two years in the ministry of finance, I must say I am cautiously optimistic that the Minister of Finance presently does get it and does understand that we need to use certain economic instruments to advance our environmental agenda.

I will ask you to respond to that, and then I'm also going to pick up on a comment Francis made with respect to transit passes.

**Mr. Gene Nyberg:** It's a very difficult situation. From our understanding, ministers and senior officials are well intentioned, but the reality is that each department, as you said, is organized in a silo sort of way, and each department has its own constituencies. The environment is seen as being the Department of the Environment serving environmental interests and not others, and the Department of Industry is supporting industry, and NRCan is supporting resource industries. As long as it's structured that way you're going to have these departments competing against each other, and that's the model we've always worked with.

It's been felt that the departments should have a goal added and that there should be kind of a marketplace of competitive policy ideas being floated around, but when you look at something like sustainable development, if we're to take it seriously, it clearly requires integration. When we look at it, probably the biggest reform has to occur at the Privy Council Office level. That office hasn't played the coordinating and enforcement role that perhaps it should, and the only way it's going to happen is if there's a coherent, overarching policy directive from government that is then implemented throughout the system. Somebody has to make sure everybody marches in order with what those priorities and directives might be.

● (1015)

**Hon. Bryon Wilfert:** The Minister of the Environment has, certainly at the cabinet, revolutionized things. The fact that he would go, for example, with a deck jointly with Industry Canada; the fact that he is building allies within the cabinet, and obviously within the bureaucracy, to move the environment from the end of the process to the beginning, to have the environmental lens at the beginning—otherwise we tend to look at the environment as some kind of add-on at the very end that really adds very little substance to the discussions—is something that, if nothing else so far, has had an impact on his cabinet colleagues. I also think within the bureaucracy we're seeing the deputy minister working with other deputy ministers in a way we have not seen before.

The Ministry of Finance, although they claim consistently they don't use the tax system in favour of one or the other, has clearly tended to do that.

There's been reference to Bill C-48. I was the parliamentary secretary responsible for the implementation of Bill C-48. It dealt with the oil, gas, and mining sector in Canada on the issues of economic competitiveness worldwide. I don't make any apologies for the fact that this legislation was there to develop more of a level playing field. But having said that, we can also use those instruments on the green technology side, which we have not done. We need to look at the issue of incentives very critically.

Mr. Scarpaleggia mentioned the transit passes. I have had more experience with the transit pass issue than probably anybody since my days as president of the FCM. In fact I had to take a bullet as parliamentary secretary to kill that very bill. I would suggest to you that the finance department's argument has always been that it does not produce the results for which it is intended. But if you look at the United States and at European jurisdictions where this is applied.... If you were to tell municipal politicians that a 2% increase in ridership occurred in a year, they would be ecstatic. Now, the documentation from those jurisdictions shows up to 20% to 25%.

There is no argument, in my view, against it. There is simply institutional resistance. You said you may or may not recommend it this time. Is there any reason why you would withdraw, when I think at the moment we also have a private member's bill before the House on this—

**The Chair:** It will have to be a short response, Mr. Wilfert, from the witnesses, as we have other questioners.

**Mr. Gene Nyberg:** The only reason we wouldn't recommend that one again this year is because we're approaching our recommendations to the Department of Finance entirely differently this time around. What we're doing is looking at priorities of the government as expressed, for example, through the Speech from the Throne, and we're trying to marshal our work that we think would help the government directly now. This is why we're focusing on energy this year, and the urban agenda—that sort of thing. So we'll probably stay away from this.

**The Chair:** Mr. Cullen, your questions please.

**Mr. Nathan Cullen:** Thank you, Mr. Chair.

Thank you to the presenters for coming, and coming on short notice.

I have to say I'm trying to evaluate within myself if I'm just in a foul mood at the end of a couple of five-week sessions or it's just the evidence before me. Frankly, I'm extraordinarily frustrated with what I'm hearing. I'll be perfectly honest.

I don't wish to question the integrity of the witnesses or people involved with this organization, which I've looked at for a number of years, but I'm having a hard time putting together what we're hearing from environmental groups, from people who study these issues, whether it's pollution or the need for the government to have some true purpose and incentive, and the rather casual language that we're using today.

I found this report and the comments today, with the exception of the last one you made about the Privy Council, Mr. Nyberg, to be extraordinarily tame. I believe this "First Steps" report was done in 2002. It's now 2004, almost 2005, and we're talking about this as if there's a 25-year casualness to it, as if we need to be considerate.

We've looked at this. Many groups have looked at this for many years. We know there are very specific things and we hear the case studies and international examples of things we can do on the fiscal reform side of things. Let's just take a look at that work that is effective for what the minister is talking about, what other ministers have talked about. I'm having a really difficult time justifying the connectedness of your group to the Prime Minister and to a particular party and to the government and to the independence to be able to criticize back.

I looked forward to this and was hoping to hear how deplorable it has been in the finance department and how slow and syrup-like in February this has been and that we need to absolutely burn a fire under this. This is the type of language that we were certainly getting from the auditors' reports. I know you're not auditors. I know you're on the policy side and are trying to recommend things. But the fact that this is almost three years old and we're still talking to the finance department as if this were potentially a revolutionary thing that we

should be very cautious about and that we need to look at in the long term, I find extraordinarily frustrating.

On the perverse energy subsidies, as a starter, Mr. Wilfert talked about a level playing field. If we could only have such a thing on the fiscal side of things.

I'm not blaming anybody—that was a comment Mr. Bélanger made. I want to blame somebody. I want you to blame somebody. I want you to start pointing some fingers at this.

What is it going to take? We somehow have been able to swing it so we might be hearing from somebody in the upper level of the finance department. What is it going to take for the inertia to come forward in order to break down the silos entirely? I'm talking revolutionary within this government. We have a minority government. We've gone up against the Privy Council and won already a couple of times on some small victories. But they're token, and I'll take those tokens. What's it going to take to fully give the government, particularly within the finance department and NRCan and the industry department, the idea of putting this lens upfront, this idea that there isn't more time to do studies and be buried under the weight, as some other members have suggested? What's it going to take?

What role do you folks, specifically, need to play in pushing the government? You're a catalyst. It's in your mandate. That's what you're meant to do. Yet this is three years old and I still haven't seen any really significant reforms from the finance department.

• (1020)

**The Chair:** Mr. Nyberg, or whoever would like to answer that.

**Mr. Gene Nyberg:** In response to your first point about the institution, it's a fair comment, I suppose in a way, and I can understand it. But I must say, from our point of view, you have to understand we're not an attack organization. We're not an advocacy group. We're not like, for example, the economic or science councils used to be, where they went out and had headlines attacking the government for not moving on the issues. We're basically in the solutions business. That's what we try to do. We try to make things work.

In terms of our current approach on energy and climate change, as an example, we know that the process that was followed recently with the issues tables and all the other discussions that occurred was a quagmire and was very difficult for everybody involved. So we've tried to overcome that by saying let's move beyond the Kyoto compliance period, and ask, what's it going to take to move to longer-term approaches and solutions? We're trying to break the logjam. That's what we're trying to do.

Quite frankly, it's not an easy job if you try to convene people from industry and NGOs and different provinces to talk about these things. They have their strongly entrenched views. We try to work with all of them to come up with solutions and ways of making progress. That progress is going to be, quite frankly, fairly incremental. There's no question. In our line of work, it's going to be incremental, marginal. We're not going to make the revolutionary breakthroughs. I don't think it's the nature of our organization to do so. We play that role. There might be others that could be stronger advocacy groups, and that's fine. That's why I say we try to work more on the breaking down of barriers.

Would you like to say something, Alex and then Jean?

**Mr. Alex Wood:** I'd just like to make a couple of points about the context in which policy is made in this area. We've talked in response to Mr. Mills' earlier question and the presentation that Mr. Bélanger made about the fact that having looked at the energy question, and the energy question in relation to the fiscal side of things is an instructive proxy for a lot of these issues, you quickly realize there's a real information and capacity gap when it comes to addressing some of these concerns.

The point that Mr. Bélanger was making about the basic information set that the federal government uses to forecast energy demand, energy supply, energy prices going forward, is something we, as a government, have not invested all that much in. They're about to release an update of that information, but it's five years in the making.

Clearly, we can do a better job on that. As part of the recommendations we're going to make, we're going to suggest that is one of the key areas. One of the things you will get into when you're discussing some of these fiscal measures is whether the basic numbers we need to understand the impact of these fiscal measures are there. The answer right now is no. If we design instruments, for example, do we have the information base by which to design and implement some for these measures? The answer is largely no.

I'll give you an example. In the U.K. they have what they call an enhanced capital allowance. For fleet vehicles you can get 100% deductibility, or basically write down in the first year of that vehicle, on the basis of the information the government has gathered—and it's actually Europe-wide—of what the carbon emission of every vehicle on the road is.

We don't have that information in this country. Transport and NRCan are starting to generate that kind of information. If we want to put into place fiscal measures to target carbon, we need to have that information base there before we can do so.

●(1025)

**Mr. Nathan Cullen:** So we're making policy without measurement. This is something we heard from Madame Gélinas as well.

It's coming on three years since these recommendations. Can you name the top three highlights that you've been able to push? I understand you're not going to be chaining yourselves to any trees any time soon. That's not your role within this. You've made these recommendations. You have what may seem small but a significant amount of funding to get something done. You're at arm's length or close to the Prime Minister, or something, I don't know, but some influential body that groups would be looking to say, "let's push this".

You made these recommendations three years ago. Give me the three. Give me the three that you've said yes, we did this, and we were effective in doing that to justify our existence and to feel good about what it is we're doing within our shop.

**Mr. Jean Bélanger:** Mr. Chair, I think it's important to recognize that this document, which was published a couple of years ago, was a learning document. It was trying to understand what fiscal reform was all about, trying to understand what other countries were doing. It was not meant to make major recommendations. It was much more to try to understand the system.

Since then, we have started our second phase. It is unfortunate that right now we are on the point of having our plenary agreement to the report, but it is not approved so we cannot go in advance of our group. There are specific recommendations in that report with regard to what needs to be done. Hopefully within the next month we will have those recommendations on fiscal aspects and so on.

I would just like to make one other point, which refers also to what Mr. Wilfert was saying, and that is, if there is one lesson that I am learning from the process, it is that fiscal aspects cannot be an add-on to the review. They must be in there from the word go. When you're starting to look at a policy issue that I think in the traditional way has been almost turned to command-and-control approaches, you then ask, well, is there anything else we could do? And we look at the fiscal aspects.

I think that if fiscal instruments are going to play their role, they must be in at the start of the process. Therefore, the Department of Finance has to be an actor in that initial phase of defining the total toolkit that can be made available.

**Mr. Nathan Cullen:** Thank you.

I understand that this is not a recommendation document. My confusion is I assume from reading this that you're convinced that at that time it was important, very important.

So again I ask, since the time that you realized the absolute importance that this needs to be everywhere, in everything we do, what major steps have you succeeded in convincing the government to do in pushing such an important thing?

I heard what you just said; it's similar to what you said at the beginning in your presentation of how crucial this is. I'm looking at this, and I'm looking at Madam Gelinas' report and her report on the Department of Finance in particular, saying these guys aren't even listening to our recommendations. And personally, from the private sector I've never heard of an auditor being refused and rejected from the group they're auditing. That's unbelievable.

So since the time, near to three years now, I don't know when the specific date is—we're almost in 2005—that this came out and you realized how important this was, the Department of Finance has just recently rejected out of hand all of these important things that are coming from their own auditor. What have you been able to do in that period of time to convince them, as you are convinced, of how important EFR is?

• (1030)

**The Chair:** You will have to be as succinct as you can.

**Mr. Gene Nyberg:** Yes.

As I mentioned earlier, every year we make a submission to the Department of Finance in preparation for the upcoming budget. And when we have done these exercises we've taken some of the things that we've learned in the process of doing them and put them forward as recommendations.

I'd say we have had what I would call minor victories, but they are still victories, things like the amount of electricity that the federal government buys from renewable sources. We made the recommendation that it be 10%, 20%, whatever it was, and that it be increased continuously. So that was acted upon.

We also were the ones who pushed very hard on the GST rebate on infrastructure investments in municipalities. We also made recommendations about the way wind energy is treated up front in terms of business investments, so that it could happen easier than it was otherwise.

So we make these kinds of incremental suggestions every year on the basis of what it is that we've done.

**The Chair:** Thank you very much.

Members of the committee, it is now 10:30. We have Mr. Jean, Mr. McGuinty, Mr. Simard, Mr. Bigras, and Ms. Ratansi, and we're going to go back and forth, but I would like to try to bring it to ten minutes to eleven so we can deal with those two issues. We have one with respect to the report now that we have back through the clerk on the procedures with respect to looking at the appointments to special purposes bodies.

I also would like to make a response back to the committee with respect to the points raised by Mr. Wilfert.

So we should keep it to ten minutes to eleven, because there is another committee coming in.

Mr. Jean and then Mr. McGuinty.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Thank you, Mr. Chair.

I would like to spend most of my question time in comments, if I may. I don't mean to regurgitate what has been said here from the other members on this side of the table.

I have read your two-year-old, almost three-year-old, study as well. In the policies for the future it appears to me in the recommendations, much as Mr. Simard and Mr. Bigras have said, and actually Mr. Cullen, that we are a society that is bent on study, study, study, and it is very depressing when we see this.

You've actually referred in the report itself to a three- to five-year study, and Mr. Bélanger referred to 25 years. I would encourage you to look at 100 years.

I don't think the impact the energy sector is going to have on the environment is going to go away. It's a continual thing, and obviously it has to be upgraded on a consistent basis.

I would encourage a longer study, because three to five years is simply not going to cut the mustard. In fact, we see here we're already at the end of that study and I don't know what's happened from here. And that's actually my question.

It appears to me that the government, and I'm not trying to throw stones, is not prepared to implement their own strategy for environmental conservation. They are leaving it to international treaties to do so, because they're too afraid, or for whatever reason, of dealing with specific interest groups and taking a step forward and being bold.

My comment to leave with you—and I understand that sometimes when you stick your neck out it will get chopped off—is that sometimes, especially in the unique position that you have to report and because your findings have such an impact, it would be better to take a step forward and take a step out and to be assertive and aggressive and be bold so far as the environment's concerned and make recommendations on implementation of either a carrot or a stick and deal with it and get it over with, than to keep beating around the bush and doing study after study and accomplishing, quite frankly, nothing, in my mind.

Studies, obviously, take up a lot of trees. I think we have enough studies and have devastated enough trees. For the first time in this group I did notice that this particular report was printed on environmentally choice paper, at least 20% was, and I compliment you for that.

I really think you should take a step out, put your neck out, and make recommendations to the government that could be seen as positive.

I believe that industry actually wants to be green, but they want an even playing field, which was alluded to by Mr. Nyberg earlier. What has happened since 2002? What has taken place? I know Mr. Cullen asked that same question, but I still have no firm answer. What has taken place since this study came forward?

• (1035)

**Mr. Gene Nyberg:** I'll turn it over to Jean Bélanger, but to reiterate to you, as far as this document is concerned, it's not representative of the kinds of reports we put out. This is almost like a synthesis piece that collected the learnings, if I can use that expression.

All of our other major reports, which I call the state of debate reports, actually incorporate very good, strong recommendations, and I'd say we've hit a number of home runs over the past few years on the urban agenda and on brownfields. We were the ones who pioneered the work on what are called environment and sustainable development indicators, which is a very difficult area. The government asked us to do that work and we came up with some really good pointed indicators that could be developed to help us better understand whether we're eroding natural capital as we go about doing our economic activities. We need that information as we try to think through how to approach all these things.

I do believe we've made hard recommendations, and if you want us to come back where we can actually profile some of those with you, we'd love to do that, because, as I said, this document is not indicative of the vast majority of the work we do, even though it was good in its own way.

Jean, I don't know whether you want to talk again about what we've done in the past two or three years.

**Mr. Brian Jean:** What I would recommend because of the time being very valuable, and because Mr. Watson wants a quick question, is if possible could you submit a report in brief form on what the recommendations were? I know you had the brownfields report that you put forward, but I would prefer that so I can read it and investigate myself.

**Mr. Gene Nyberg:** All right.

**Mr. Jeff Watson (Essex, CPC):** I will try to be brief.

I was interested actually in some of the impacts on farm and conservation, the idea of the municipal tax credit, though unfortunately it almost seems to concede that it's not sufficient. Is there a better program because of the stress on municipal books? They just don't have the money to fund these types of programs. Is there a better option, or are you going to look at another option that will help to conserve marginal lands for environmental uses?

I don't know whether I've given enough detail. I'm trying to keep it brief so you can answer more than have me talk more.

**Mr. Jean Bélanger:** Essentially, the results of those case studies were turned over to the Department of Agriculture and Agri-Food and to the Department of Environment, and my understanding is that they are being acted upon through their broad agricultural landscape program.

**Mr. Jeff Watson:** Are you going to study a different model other than the municipal tax credit? I'm just asking about your activities.

**Mr. Jean Bélanger:** No, not at this stage.

**The Chair:** Thank you, Mr. Watson.

Mr. McGuinty.

**Mr. David McGuinty (Ottawa South, Lib.):** It's good to see former colleagues again. Thank you for joining us.

I would like to make a few comments, because I think a number of members of committee have set us on a tack that I find entirely inappropriate. I think it betrays the fact that they haven't necessarily fully apprised themselves of what this institution has been doing for almost a decade.

I think that there are probably a number of misconceptions about what the organization is and is not. In a sense, having been the president of the organization for nine years or so, I'd like to maybe make a couple of comments that would help set the record straight.

The first thing is in response to something Mr. Simard said. This is not a government-sponsored environmental NGO. And as much as members of the opposition would like to see a taxpayer-funded ENGO, this is not the body. Therefore, this organization, as far as I understand it, is neither an apologist for nor a critic of the federal government, as much as, again, some members would like it to be. That is not its role. Its role is to try to reconcile competing interests that are in Canadian society.

So when we look at the recommendations made by an organization such as this, they are very different from the recommendations made, for example, by the UQCN in Quebec, which speaks for a very small and very specialized group of environmentally active and concerned citizens in the province of Quebec, and only in the province of Quebec.

The national round table is charged with a much heavier responsibility, which is to try to find out where industrial positions sit, where academic positions sit, where environmental positions sit, and try to put forward reasoned recommendations for change. I think it is quite inopportune, and I think it's also disingenuous of members when they make comments about the organization not having seen the light of day in terms of impact.

Whether it is a national brownfields strategy, whether it's the city deal, whether it's the national indicators work, whether it's water and waste water reform, whether it's the fact that it's been in six out of eight consecutive budgets with hard measures announced, this organization has been an extremely valuable contributor to moving the country in a new direction, a very difficult direction.

I do have a question that I want to put to the panellists, which builds on the question I put to the commissioner last week. The government did commit in 1993, and in a sense recommitted, to performing a massive examination of the fiscal regime in front of it that now governs the way we do our business. We are not talking here about environmental taxation, as Mr. Simard would suggest; this is much broader than environmental taxation, which I think happens to scare the bejesus out of Canadian citizens.

Can you give us some indication if this is something that's possible? Has it been done elsewhere? From your findings and your work, how do you react to this notion that such an analysis could be actually performed?

• (1040)

**The Chair:** Mr. Nyberg.

**Mr. Gene Nyberg:** I could be corrected by Alex, but I don't think that work has been done, to the best of our knowledge. And it's true, it would be a very massive undertaking.



The thing we shouldn't lose sight of as well is that this whole notion of the ecological fiscal reform is one that's not very well understood by people. Because really when you get down to its purest sense, we're really talking about all policy signals working in the same direction to benefit the environment and the economy. And that means looking at all subsidies, all tax expenditures, you name it, down the line and trying to make sure that they're all working in the same direction. That's a very difficult thing to do under the best of circumstances. It's one that we all aspire to see happen, but quite frankly, I'm not sure it can be done easily at all.

We've talked about it at the round table, and we would love to be able to have greater capacity to look at these things, but quite frankly we don't have it at the present time.

**The Chair:** Mr. McGuinty.

**Mr. David McGuinty:** Were we out of time?

**The Chair:** Actually, no, you're just right on time.

**Mr. David McGuinty:** Perfect. Thank you, sir.

**The Chair:** Thank you very much.

Mr. Bigras.

[*Translation*]

**Mr. Bernard Bigras:** Thank you, Mr. Chairman. I will be brief.

There is a recommendation that Mr. Bélanger touched upon and which, I hope, will be included in the report you will be submitting in a few weeks. It's all about technology.

You said, Mr. Bélanger, more or less the following: technology is not necessarily a long-term guarantee of greenhouse gas reduction. I find this a very important statement. According to the message I've been getting from the current government, technology is the very basis of the greenhouse gas reduction strategy and policy.

Again yesterday, in the House of Commons, in response to a question asked by Mr. Layton, Mr. Martin insisted quite a bit on technology, as if technology were the basis of greenhouse gas reduction.

I would like you to elaborate in that direction. If the government decides to put all its eggs in one basket, not by developing a strategy for reducing greenhouse gasses at source in the near future, but by relying strictly on technology, which would only pay off in the long term, this would, in my opinion, defer the problem and leave us a long way from the Kyoto deadlines.

I would like to hear you on this. Is this going to be part of a recommendation to the government in a few weeks? I would like you to tell us more on this.

**Mr. Jean Bélanger:** As you know, I can only answer part of your question, because the report has not been approved by the board. However, there is no doubt that one of the criteria that will be central to the discussion will be the definition to give to life-cycle carbon emissions. This is a criterion we will definitely recommend.

So if there are technology programs that should be supported one way or the other, we believe this criterion should be considered, among others. We want this criterion to be recognized. It's fairly important.

•(1045)

**Mr. Bernard Bigras:** I have no more questions.

[*English*]

**The Chair:** Thank you, Mr. Bigras.

And the final question, Ms. Ratansi.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you, Mr. Chair. I'd like to share three minutes of my time with Mr. McGuinty.

Your mandate was a SWOT analysis—strengths, weakness, opportunities, and threats—and then you looked at the international environment. Internationally you looked at Europe, and Europe seems to be far in advance of anyone.

So when Europe is using its EFR, how well has it harmonized? Because it requires harmonization, a holistic approach for harmonization. What are some of the practical examples that can be used here—for example, a green budget?

Number two, when I look at your triangle, the voluntary sector is a very critical component of it. So how has it worked in Europe? If you could answer it quickly, then I'll give my time to Mr. McGuinty.

**Mr. Alex Wood:** As you point out, we did a lot of background research in relation to what other jurisdictions are doing in this area, both on the general question of EFR and the specific question of energy.

Energy, in the European context, is actually where most of the activity has taken place—tax reform, tax shifting, fiscal policy generally. The general experience in Europe is toward energy taxes or even gas taxes. What we have found, and what others have come to the conclusion about, is that the European system—and at this point, still a national system, by and large—is riddled with exemptions and holes, essentially, in the application of those taxes, so they don't necessarily stand as good examples.

The one exception would probably be the U.K. climate levy and the companion climate agreements that are entered into. That will probably be a policy instrument that gets generalized, again, at the European level. That system basically follows fairly closely the theory of how these kinds of things should take place. It's essentially a carbon tax that the government imposes on the basis of the ability or the capacity and the delivery of progress on carbon reduction agreements that industries or sectors have entered into with the government. That tax actually gets recycled back to them, so there is very much a carrot-and-stick approach to that. That's been a fairly successful model up until now.

We had a U.K. delegation a couple of months ago explaining to us that it's actually been very well received by the private sector. Usually, in that kind of situation—in the U.K. specifically—they raise those kinds of taxes and it comes with a reduction in another type of tax. In the U.K. case, it was a payroll tax, so that on balance it's neutral to the government and to the private sector itself.

**The Chair:** I want to see if Mr. McGuinty is going to get that shoe horn in.

**Mr. David McGuinty:** Thank you, Mr. Chairman.

I wanted to put two points to the witnesses to see how they respond, particularly on the comments Mr. Nyberg made earlier about one of the systemic stumbling blocks being the PCO. How does the panel respond to the notion of an undersecretary of cabinet position at PCO with specific responsibility for sustainable development in the federal government?

Second, what about an EFR working group, say, with ten person-years dedicated to, in an interdepartmental fashion, Finance, Industry, NRCan, Environment, and others actually coming together, banding together and generating some serious options for consideration by the government?

**Mr. Gene Nyberg:** In response to the first question, it's very consistent with what I was saying before about there needing to be an enhanced role for the Privy Council Office generally, to basically enforce the integration of this sort of thinking that should take place. That's certainly a good approach and could be one of many.

I still think, too, that ultimately the answer could be at that level, but it would have to be delegated from the clerk. I think it still has to come from the highest levels, and by definition it means the Prime Minister as well.

In terms of the capacity, absolutely. Our problem has been that when we've been doing our ecological fiscal reform work over the years, we have had very few experts across the country who could actually help us. This has been a major drawback. There are a few pockets of activity, but this is something that needs to be enhanced. To the extent that it can, we'd be totally supportive of it.

**The Chair:** Thank you, Mr. McGuinty.

To our witnesses, thank you very much. I know it was short notice, but we do appreciate the insights you've shared with us. I think that from my next statement, perhaps, you'll take away some sense of where the committee is coming from and what your continuing roles can be.

Members of the committee, the issue raised by Mr. Wilfert...

Mr. Wilfert, I'd like to give an explanation with respect to why there was short notice given. And I appreciate Mr. Richardson pointing out that it was at the direction of the chair, through the steering committee, that the witnesses are here. If you would remain, I think you might find this interesting and maybe relevant, I don't know.

We know we have windows through the development of our agenda. We've had two pieces of legislation. We've also had a major report on the Annex 2001. Against that, we were working toward focusing on the financial aspects of sustainable development and the Commissioner of the Environment's report. We've had her before us twice. We're going to have her before us next Tuesday, along with finance department officials.

The window we had, after we finished the legislation and the major report, was very narrow to try to shoehorn in expert witnesses with respect to the incentives in the taxation plan in finance that were working, that weren't working, perverse subsidies, all of those things that some of the members of the committee have raised here today.

It was the steering committee's decision to try to set the stage for committee and bring witnesses that would be the prelude to focusing

next Tuesday on those issues related to finance. I would suggest, if I may as chair, the round table could be very helpful if they could look at the absence of incentives that would promote the sustainable development agenda, the whole issue of energy taxes as it relates to renewables and non-renewables, and the issue of perverse subsidies. These are the kinds of things we will be wrestling with, and I think the committee would like some further direction, if you will, or reference on those.

That's the explanation. Obviously, the chair will do everything possible to get any information in advance, relevant documents and so on. That goes without saying. But in this particular case, it was a quick decision. I made the decision to have the round table in, and I appreciate you being here.

I hope that explanation is an indication of how flexible we have to be in terms of trying to take the committee's direction and acting as a facilitator to achieving it. That's the explanation.

Mr. Wilfert.

• (1050)

**Hon. Bryon Wilfert:** Mr. Chairman, I appreciate your comments. However, today is not an isolated incident. The fact that the steering committee met at 8:30 on Tuesday gives more than ample time for the clerk to get the material here.

Whether we are on the government side or the opposition side, what I am saying is that I do not intend to have a future situation, regardless, where information is not readily available well in advance for all members of this committee to be able to do the job we were sent here to do.

I understand, Mr. Chairman, about putting it in. Yes, we talked about that. But that was 8:30 on Tuesday morning. This meeting is 9 o'clock on Thursday. If in fact more than 48 hours is not sufficient to get the information, then I guess, with all due respect, it is inappropriate to have any witnesses. That is not fair to them. My argument is not with the gentlemen before us; it is with the fact that even the notice comes late the day before this meeting. We need to fix it, and we need to fix it immediately, so that in the future...

I know the chairman does his very best. It is not the chair I have issue with. But I know the chair will hopefully convey the concerns of all members of this committee to the appropriate individuals so we don't have this again.

Thank you.

**The Chair:** Okay. I suggest that's enough said on that. I think we've had a fulsome discussion on it. I appreciate your raising it, Mr. Wilfert. We'll try to do better.

Mr. Jean.

• (1055)

**Mr. Brian Jean:** We might forward a letter or some sort of...

**The Chair:** Yes. Just to conclude, Mr. Jean, if you could forward a letter or some additional support for that, it would be very helpful. Thank you very much.

Members of the committee, I just have one other item to raise, if I may. It was requested at the last meeting that we have clarification on some of the issues that were raised with respect to this whole process of referring the appointments to special-purpose bodies, like the round table and Canada Lands, to the committee. I don't think it's necessary for me to read out the response. We have copies in both languages.

The chair is looking for some direction. Again, it has been brought to my attention that there is some urgency to the Canada Lands appointment, inasmuch as if we don't hear it and make a decision, that position will not be filled.

Is there anybody who wishes to hold that one and to have Mr. Rochon, the nominated candidate for reappointment, before the committee? We could do that for next Tuesday.

Mr. Mills.

**Mr. Bob Mills:** I don't really see a lot of need for that. I would be interested in the round table's appointment for chair. I think that's the one we looked at and would be most interested in.

**The Chair:** All right.

Then we'll schedule the round table and we'll notify the minister accordingly with respect to Canada Lands.

Thank you very much, members of the committee.

The committee is adjourned.

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