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# Standing Committee on Environment and Sustainable Development

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**Thursday, April 14, 2005**

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**Chair**

**Mr. Alan Tonks**

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## Standing Committee on Environment and Sustainable Development

Thursday, April 14, 2005

•(1105)

[English]

**The Chair (Mr. Alan Tonks (York South—Weston, Lib.)):** Good morning, members of the committee, and to our witness, the minister, good morning.

Ladies and gentlemen, this is the thirty-third meeting of the Standing Committee on Environment and Sustainable Development. Today we are dealing with the estimates pursuant to Standing Order 81(4), the 2005-06 main estimates, which fall into the following categories: Environment votes 1, 5, 10, 15, 20 and 25; Office of Infrastructure of Canada votes 1 and 5; and Privy Council vote 25. These were referred to the committee on Friday, February 25, 2005, and we're dealing with them today.

Appearing before us today is the Minister of the Environment, the Honourable Stéphane Dion. In addition, from the Department of the Environment we have Cassie Doyle, associate deputy minister; and Glynnis French, assistant deputy minister, human resources and service innovation. From the Canadian Environmental Assessment Agency, we have Jean-Claude Bouchard, president. From the Department of the Environment we have Mr. Mike Beale, acting director general, economic and regulatory affairs directorate, policy integration. From the Parks Canada Agency, we have Alan Latourelle, the chief executive officer.

To all of you, welcome.

Minister, you've been here before and you know the routine, as do your colleagues. We have about ten minutes for an initial position paper, if you will, or proposal, from the minister. Then we have ten-minute rounds of questioning going through the various parties.

With that, I would like to welcome you once again and pass the floor over to you, Mr. Minister.

[Translation]

**Hon. Stéphane Dion (Minister of the Environment):** Thank you very much, Mr. Chairman. Thank you for introducing each of my associates.

I want to thank all my colleagues for inviting me here. As always, I'm pleased to be here to work with this committee.

My comments today will focus on the Estimates for my portfolio. I will place special emphasis on the 2005 Budget, which fulfils many of the commitments in the Speech from the Throne and provides direction for the future investments in the environmental priorities of the government. I will also discuss the climate change plan announced yesterday—if I don't, you'll discuss it instead, so I'm

going to talk about it right away—which is the first initiative of the government's Project Green.

The 2005 Budget marks a turning point for Canada and delivers on the government's commitment to a green economy. It injects \$5.2 billion, including more than \$3 billion in new, incremental funding, into federal environmental policy and our Project Green.

It also sets the direction for the longer-term orientations of the government, which wants to increasingly combine the environment and the economy so that they point in the same direction, one which moves us forward to a better quality of life, a more competitive and prosperous economy, and enhanced protection of our natural environment.

The budget balances short-term investments to protect our health and natural environment and long-term measures to spur transformational change in consumer behaviour and business practices.

I will describe these measures very briefly, including those that support the new climate change plan.

•(1110)

[English]

A sustainable approach to the environment is critical to the economy. That's why in the budget you have long-term funding to address our environmental priorities, and it includes \$40 million to improve the ecological integrity of the Great Lakes. The grant will expand its ongoing effort to improve the environmental health of the Great Lakes Basin. The investment of \$40 million over the next five years will bring forward the next phase of the Great Lakes action plan and continue the environmental restoration of key aquatic areas of concern.

In addition, we will have \$85 million to minimize the risk of invasive alien species by implementing a partnership with the provinces and territories of an invasive alien species strategy focusing on enhanced preventative measures. Strategic investment will be made to increase inspections at our borders, enhance supporting scientific activities, strengthen national surveillance efforts, and raise awareness about harmful practices.

There will be \$90 million to conduct health risk assessments to reduce Canadians' exposure to toxic substances, and \$200 million to develop and implement a sustainable energy science and technology strategy that will support the development of new environmental technologies.

There will be \$269 million in additional much-needed funds for our national parks. Our national parks are not only magnificent, they also contribute \$1.2 billion to Canada's GDP, provide the equivalent of 38,000 full-time jobs, and are an essential source of revenue for our tourist industry, for many of our communities, and for Canada's aboriginal people.

There are also major infrastructure investments. This includes, as you know, the transfer to municipalities of \$5 billion from the gas tax, which will support environmentally sustainable projects such as public transit, water and watershed treatment, and community energy systems. It also includes \$300 million for the green municipal funds.

These investments will promote cleaner, healthier communities for Canadians. They will also contribute to reducing our greenhouse gas emissions and help us reach our Kyoto objectives.

These investments also complement Environment Canada's ongoing work, such as a 10-year clean air agenda, reducing risk from toxics and other substances of concern; the implementation of CEPA 1999, working to conserve, protect, and enhance Canada's biodiversity; and delivering essential services to Canadians related to weather and environmental prediction.

[*Translation*]

The Kyoto Protocol and the plan we made public yesterday afford the possibility not only to achieve our climate change objectives, but also to transform—for the better—our economy and our way of life. That is why Budget 2005 provides over \$4 billion over four years to allow industry, governments and individuals to play a more active role in addressing climate change. This includes approximately \$2 billion of new spending and tax measures and about \$2 billion of unspent program funds which will be evaluated and redirected in a manner consistent with our new plan.

In Budget 2005, we provided the architecture and initial resources associated with the plan entitled: *Moving Forward on Climate Change: A Plan for Honouring Our Kyoto Commitment*.

We anticipate that investments in the order of \$10 billion will be required between now and 2012 to fully realize the anticipated reductions of about 270 megatonnes. The climate change investments are detailed in Budget 2005 and in the Plan. They include a continuation of existing programs that have proven effective, such as the EnerGuide for Houses Retrofit Incentive program. They also include new incentives for private sector and partnership-based innovation.

The new Clean Fund, announced in Budget 2005, now called the Climate Fund, is a permanent, market-based institution. The Climate Fund will purchase domestic greenhouse gas reductions and secure qualifying international emissions reductions. It will be funded at a minimum of \$1 billion over five years.

The Partnership Fund was also announced in Budget 2005. It recognizes that true partnerships involving all levels of government are critical to the success of Canada's plan. The Government will work with the provinces and territories to develop new agreements. Those agreements will help identify major technology and infrastructure investments that will be cost-shared. While the government's initial investment is \$250 million, the fund, as detailed

in the plan, is expected to grow to \$2 or \$3 billion over the next few years.

Our approach to industry's role is balanced and fair. There are many options available to Large Final Emitters, such as adopting upgrades to achieve in-house reductions, purchasing emissions credits from other large emitters or investing in domestic offset credits.

Large Final Emitters will also be able to contribute to the Greenhouse Gas Technology Investment Fund. The Fund will invest in projects that accelerate Canada's transition to a low-carbon economy. Companies can then use the Fund's emission credits to help meet their targets.

In addition, the plan includes tax and production incentives worth over \$2 billion to increase Canadian development and use of renewable power technologies over the next 15 years, including wind, solar, hydrogen and ethanol. This includes immediate investments of \$200 million in the Wind Power Production Incentive and \$97 million for a Renewable Power Production Incentive, as identified in the Budget.

Review and evaluation, as well as consultations, will be a key element of our approach. The government will assess climate change spending to ensure that investments are effective and cost-efficient, and that only actions resulting in real and verifiable GHG emissions reductions are supported.

I would like to thank the committee members for the work they have done to date on the issue of climate change.

• (1115)

[*English*]

Now I would like to conclude with some notes about my own portfolio. The bulk of the funding in the 2005 budget is directed at the environment agenda, not Environment Canada. In fact, I have worked well for my friends of the cabinet; I will, with all your help, be able to ensure they have funding for the environment, but most of the funding is not coming to Environment Canada. In fact, the department's resources are quite modest compared to the environmental challenges facing Canada.

Although exact departmental shares for budget 2005 have not been finalized, Environment Canada will likely receive approximately \$1.5 billion over the next five years, but around 94% of this amount will be flow-through funding to outside third-party organizations, such as the Federation of Canadian Municipalities and the agency that will manage the climate fund. It is proposed that Environment Canada will begin the 2005-06 fiscal year with estimates of \$835 million. The incremental funding from the federal budget that is not included in the estimates before us today will be identified in supplementary estimates this year, and main estimates in future years.

The 2004-05 fiscal year just ending is a good example of this incremental effect. As you may have noted, we started last year with main estimates of \$805 million and ended with \$1.1 billion planned spending, which is a \$312-million increase in the funding during the fiscal year. This is mainly due to one-time grant payments. The Federation of Canadian Municipalities was \$150 million, and Sustainable Development Technology Canada was \$100 million.

In 2005-06, no further payment for these one-time grants is anticipated, which explains the planned spending reduction of \$264 million between this fiscal year and 2005-06.

In addition, the department is committed to contributing to the government's requirements for ongoing expenditure review. Environment Canada's share for the \$12-billion expenditure review exercise is approximately \$65.6 million over five years; we are very proud to give our share of this exercise. As I stated, the final level of resources from the department of this year will not be known until decisions are taken regarding further allocation of budget 2005 resources.

Bill C-7 firmly transfers the responsibility for the Parks Canada Agency to the Minister of the Environment, which places the ecological integrity of Canada's national parks within the purview of this committee. Bill C-7 also strengthens the government's focus on ecological integrity. This is reflected in budget 2005, which allocated \$60 million in new ecological integrity funding over five years, followed by \$15 million in annual ongoing funding. This will allow Parks Canada to make significant gains in restoring our national parks, and I want to thank the committee for their support for Bill C-7.

Budget 2005 also ensures that Parks Canada has the resources it needs to complete urgent restorations at our national historic sites and initiate critical infrastructure projects to ensure public safety. The agency will receive \$209 million over five years to undertake this work, which is well overdue, followed by \$75 million in annual ongoing funding.

In order to ensure the continuation of quality experiences for visitors, Parks Canada is proposing to gradually increase user fees over the next four years, to reinvest in visitor facilities in national parks and national historic sites. I have recently tabled this proposal with your committee for your review and comments.

The Canadian Environmental Assessment Agency now has a budget of \$18 million. Despite these modest resources, the agency contributed to the expenditure review exercise. Its contribution

consists of \$50,000 the first year, \$100,000 the second year, and \$150,000 for each following year. Bravo, bravo, bravo.

• (1120)

During the upcoming year, the priority will be to follow up on the throne speech commitment stating the government's intention, as you know, of consolidating federal environmental assessments. Environmental assessments ensure that an important link between the environment and the economy is at the core of our preoccupations. We must strengthen this link by defining environmental assessment responsibilities more clearly. This will be done. My goal is to offer an efficient environmental assessment process that produces high-quality assessments in support of our efforts to link the environment and the economy. Our redefinition of the process is progressing well. This initiative may require a legislative change; if that is the case, it will be my pleasure to work with the committee on this important bill that we will have to carry.

[Translation]

In addition to your work on climate change, I appreciate the work that this committee will be undertaking with respect to the five-year review of the Canadian Environmental Protection Act. The departments responsible for the act have undertaken an evaluation of the experience to date in implementing CEPA and have also carried out consultations. We will be ready to engage with the committee when you are ready to begin your work.

I will be pleased now to answer all questions from my colleagues.

[English]

**The Chair:** Thank you very much, Minister, for that overview.

We'll go to the top of the batting order, and we'll ask Mr. Mills to lead off.

Mr. Mills.

**Mr. Bob Mills (Red Deer, CPC):** Thank you, Mr. Chair.

Thank you, Mr. Minister, for appearing before us so soon after the plan that's going to put us as leaders in the world.

The first question I would ask is regarding the estimates. The environment commissioner says: "Strategic environmental assessment...is one of the most important environmental decision-making tools of the federal government...after 14 years, it is not being used to guide policy, plan, and program development". I wonder what you are doing and how much you have put into the estimates that will cover this number one priority, according to the environment commissioner.

• (1125)

**Hon. Stéphane Dion:** My department is used to doing strategic evaluations like this, and we don't have extra funding for it. We do that in a very regular way in conformity with what the commissioner is asking us to do.

**Mr. Bob Mills:** The problem with that answer is that she says for 14 years there have been promises of doing that, and at this point she doesn't see much improvement in terms of how the department uses that long-term planning. That's maybe one of the problems. Here we are in the eleventh hour of a Kyoto commitment. We committed that climate change was a problem in 1992. In 1997 we signed on, and here we are in 2005 and we're coming up with a plan with no details. Obviously, there is some strategic planning not happening here, and I think the numbers speak for themselves.

Let me go on to ask several questions, largely regarding the whole Kyoto plan.

We have funds—technology funds, partnership funds. We have various funds that can grow; there are projections of their potential growth. What Canadians would ask at this point in time is why they would trust a board of 12 members appointed by the government to administer a fund. This is not a good time to be proposing that government appointees distribute funds. How are you going to ensure that we're getting value for our dollars and that in fact the best projects are being financed?

**Hon. Stéphane Dion:** Thank you so much.

I would not say it's a plan at the eleventh hour. We had the plan in 2000, we had the plan in 2002, and we're improving our plan in 2005. What we did in 2000 and 2002 put us in a good situation to go ahead with more effectiveness in 2005. We expect the initiatives taken in 2000 and 2002 will give the country about 40 megatonnes. So it's not nothing.

For instance, the WPPI, the wind power initiative, I think worked very well. We now have four times more capacity than before to produce ethanol. It's not a result right away in megatons, but we knew that. The last statistics we have about the number of megatons in Canada are for 2003; the largest investment we did before this budget was in 2003. We cannot expect that these programs will give results right away.

In the 2002 plan we expected to have between 55 and 60 megatons from these initiatives for 2010. Now, because we are more rigorous in our accounting, we expect 40 megatons. But it's quite substantial.

We have learned from this experience, and it's helping us to be very confident about other aspects. The funds we are creating—the technology fund, the partnership fund, and the climate fund—will be very effective and well managed. In the plan, as you have seen, we are committed to reviewing the results, to having a very transparent accountability process every year. I am sure this committee will want to be part of this process.

Every year we will have the capacity to review what we are doing. It makes sense from a good management perspective, but especially for a file that is so new. We are learning about climate change every month, every year, and it is very important to review always the way we proceed. That's why we have in the plan, for instance, this kind of range about what the climate fund may produce in megatons and what the partnership fund may produce, because we are not sure which one will be the best one. It's good to have a good emulation between our different initiatives.

**Mr. Bob Mills:** Let me come at this a little differently, then. We have a power company, let's say, that is a major emitter of greenhouse gases. They're going to have a target—we don't know what it is yet, but they're going to have a target—that's now going to be a set amount. One of the options they will have is to put that money into a technology fund. That's going to be administered by a group of government-appointed people. They are then going to decide which projects get funds for new technology.

We support that. There are good things in what was said here. I like the parks part, and so on.

But here's this company that wants to develop clean coal technology, for example. How can they justify to their shareholders that they put  $x$  number of dollars into a technology fund, and this board decides it doesn't like the idea of clean coal technology; it wants to go to technology B, which is more along the lines of where it thinks you should go. It's pretty tough for that company. Wouldn't it be better to give them a tax break or whatever? Say to them, develop the clean coal technology, because that's your thing—or develop whatever technology—but you keep the money, you administer it. Don't send it through this damn board, which might in fact decide that everybody's having a yo-yo might help reduce climate change, or something. How can they justify that to their board of directors?

• (1130)

**Hon. Stéphane Dion:** The exact design of the technology fund will be clarified in the coming weeks and months, in partnership with the industry. The industry is not against this initiative at all, as you know.

**Mr. Bob Mills:** But they need long-term plans. They need assurance that this—

**Hon. Stéphane Dion:** Yes, and they have a lot of certainty since yesterday. They know what the target is; they know they have the capacity to invest nine megatons in the technology fund. What we will do now is work with them in order to be sure that the design of the fund will be optimal for pooling their research effort. They will continue to have research in their own facilities, but at the same time you will have a sector approach to pool the capacity to go ahead, because this technology fund should be incremental research. It should not be business as usual; it should be on top of what each facility would do on its own.

**Mr. Bob Mills:** As we get closer to the target period, is there not going to be a problem with more and more international investment, more and more funds having to be purchased outside of the country? Basically, I don't think many Canadians would think that's a very good investment.

**Hon. Stéphane Dion:** First, it will depend on the dynamism of the internal market, and I think we underestimate what Canadians are able to provide as emissions reductions here in Canada.

Second, we underestimate the fact that since the Government of Canada will recognize credits abroad only if they are actual greenhouse gas reductions created abroad through, essentially, Canadian environmental services and technologies, when these conquer new markets abroad, it will develop the internal market as well, because these companies will become more competitive and more able than to be more dynamic in Canada. You will have a kind of a spin-off, a kind of a mutual reinforcement of the two initiatives. That's why, at the end of the day, I'm very confident that the largest part of the plan will be delivered here in Canada.

**Mr. Bob Mills:** We see several problems with using CEPA regulations. One of them is the weakening of CEPA and how it works. The other is that it's up for review. Obviously, you're trumping that review by saying we're going to put greenhouse gases in there, and then it leaves open, I think, a blank cheque for whatever you might want to do down the road.

Somebody has to pay the \$10 billion; whether it's through corporations buying credits or whatever, somebody's got to pay. The somebody has to be the consumer, and isn't that consumer the person who buys electricity, buys heat, and buys gasoline for transportation? Doesn't this affect every Canadian, even the person who eats lettuce, because the truck to get it to him costs more? Isn't that a huge expenditure for Canadians without really having your plan fully in place?

**The Chair:** This will have to be the final response, Minister Dion.

**Hon. Stéphane Dion:** Yes, but I think there are two questions in one here, and I will try to be brief, Mr. Chairman.

CEPA exists today, and we are using it for a large number of substances that are dangerous to the environment.

• (1135)

**Mr. Bob Mills:** And CO<sub>2</sub> wasn't one of them.

**Hon. Stéphane Dion:** And CO<sub>2</sub> is dangerous for the environment because it's putting at risk life on earth. It's quite obvious. So CEPA qualifies for controlling greenhouse gas emissions. It is our working assumption, and in Annex 6 we say we will consult the LFEs to see how we will use CEPA in a very friendly but effective way at the same time, and I think we will be able to go through that quite rapidly. I'm very optimistic.

The other aspect is the cost, the \$10 billion. The first thing is that \$2 billion of it is already in the books from former budgets. It's money that we have allocated for climate change that has not been invested yet. The second thing is that the 2005 budget is giving us a lot of help, and after that here will be seven other budgets.

The last thing is that most of these investments would have to be made anyway, because they make sense. The example I will give to you, because you are coming from a province that is using a lot of coal, is that in Canada we will have to replace 70% of our coal-fired power plants before 2020. If we don't do this in the proper way, it means that we will use very polluting coal, polluting not only in terms of greenhouse gas emissions but also in terms of mercury and other substances. When a plant exists, it's for the next forty years, so we would be putting at risk not only our own health, but that of our children and our grandchildren. So Kyoto is only giving us an additional reason to do the right thing, to try to find the right way, the

best approach, the best energy resources and technology, to fix this problem.

This is an example of what you may call the Kyoto money, if you want, this \$10 billion. What I'm telling you is that these are investments we need to make, and Kyoto is giving us an additional reason to do the right thing right away.

**The Chair:** Thank you, Minister.

We'll now go to Mr. Simard.

[Translation]

**Mr. Christian Simard (Beauport—Limoilou, BQ):** Thank you for being here today, Mr. Minister.

I remember your first conversation with the members of this committee. You had invited us to breakfast. You were very ambitious about the possibility of changing the behaviour of all economic departments and shedding a green light on matters, a sustainable development light. I told you at the time that other ministers of the Environment had had those ideas before you. Canada's Green Plan, which was developed by the Conservatives, was very ambitious. Your plan is called Project Green.

I won't conceal the fact that I'm a former environmentalist. I was Director of the Union québécoise pour la conservation de la nature. We took part in debates on climate change in Rio de Janeiro. As a Quebecker, and as a human being living on this planet, I'm extremely disappointed in what I see announced with regard to Kyoto. There's no obvious change in direction from the old 2002 plan, except perhaps the obligation for final emitters to reduce their emissions by only 36 megatonnes, instead of 55 megatonnes.

You referred to a fair and ambitious program. I don't think it's fair. I don't think it's fair that 75 percent of the burden of achieving Kyoto Protocol targets falls on taxpayers as a whole, whereas 50 percent of emissions come from one sector, oil and gas, which only has to reduce its emissions by 13 percent. I don't think it's fair that taxpayers as a whole should pay fees of more than \$15 a tonne. I don't think it's fair that Canada should in this way distort the instruments provided for by the Kyoto Protocol for regulating the markets. This won't force industry to correct itself because it will be paid for by taxpayers. I'm not the only person saying this.

I'd like to know your opinion on the comments of your predecessor. Here's an item reported in today's *La Presse*: But according to MP David Anderson, Mr. Dion's predecessor, the plan announced yesterday is a way of channelling money to the industry. According to the former Liberal minister, who offered his comments as a sidebar to his colleagues' press conference, Canada could even be taken to task before the World Trade Organization for unduly subsidizing its industry. "I'm very disappointed," he said. "The same companies that take advantage of public funds will also be saving money by reducing their emissions because, with rising oil prices, these will be highly profitable measures."

It seems to me this is very clear and harsh criticism from one of your peers. So it's going to be very costly. The plan could well be as inefficient as the old plan. It could well miss the mark and it'll probably be extremely unfair for Canadians and Quebeckers.

I'd like you to respond to that. As far as I can see, all environmental groups are making the same criticism.

• (1140)

**Hon. Stéphane Dion:** No, you're speaking for yourself. A number of environmental groups wouldn't agree with you on the criticism you're making. However, you're entitled to your opinion.

I say it's a fair and ambitious plan. In fact, it's the most ambitious plan of all the Kyoto Protocol signatory countries, for the good and simple reason that we have to achieve by far the toughest emissions reduction target. Our country is cold and very big. Consequently, transportation results in the emission of a lot of greenhouse gas. In addition, we export energy. So we're held responsible for the energy that the countries to which we export it don't count. If we had won that battle, if we could attribute the fossil energy we sell to the Americans, our statistics would be much better.

That's the situation.

Our industry is doing its share. Its share compares favourably with those of the European industries. It can't be asked to do more than the others. That would put it in a difficult situation. You have to realize that it's the only one that has to achieve an emissions reduction target in North America. That's why, when we ratified the agreement in 2002, we made a commitment to the Canadian industry—which was concerned about the consequences of ratification—that this \$15 ceiling would exist. We're going to honour that commitment.

If we set too high targets for the industry, it will pass the cost onto consumers in any case. In any case, the same individuals pay.

Having said that, I invite you to consult page 21 of the Project Green, where you'll see to what extent the sectors of the Canadian economy will be involved by the Climate Fund.

This is my favourite page of the plan because it contains measures that will help Canadians revive a lot of currently dormant innovations. I'll cite a few examples:

[...] farmers who adopt low-till or zero-till practices; forestry companies that engage in state-of-the-art forest management practices; property developers that include district heating and renewable energy elements in their plans for new subdivisions; businesses that develop innovative ways to reduce emissions through recycling and energy efficiency;

**Mr. Christian Simard:** I don't have a lot of time for my questions. We've read the plan, and we can read it. If you want to read the plan, that will limit my right to ask questions. I ask that you to honour that.

**Hon. Stéphane Dion:** All right. I ask that you honour the plan, which is full of innovations of this kind.

**Mr. Christian Simard:** Mr. Dion, your plan's unfair, even with regard to the One-Tonne Challenge. It's unfair to put it on the shoulders of all taxpayers. At 6:55 this morning, I heard you say on the radio that, in any case, someone's going to pay, that someone always has to pay. It's fairer that oil consumers pay, even those who use less, than all taxpayers.

I'll cite the example of Quebec, which, however, isn't the only example. You've seen the extremely harsh criticisms of Mr. Mulcair, who isn't a separatist. He finds the plan unfair; he feels all Canadians are subsidizing the oil industry. Currently prices are extremely high,

and the industry is able to make an effort. It's estimated that a barrel of oil costs the industry 25¢, whereas, as you know, the prices currently vary enormously. It's not too much to ask the industry to finance its own fair share of the reduction in greenhouse gas emissions. You haven't taken that courageous step. I get the impression the same approach will yield the same result.

There are no interim targets in your program. It will hard for us here in the committee to monitor it. We get the impression that Canada is going to miss the target set by the Kyoto Protocol. That's a very strong impression in light of what we see in this plan: measures that are more voluntary and seem inadequate. We're afraid we're going to miss the target completely. This is a threat to Canada's image, but it's especially a matter of respect for the planet.

So we feel your actions are unfair for Quebec and taxpayers as a whole: they don't make consumers and oil producers carry the weight they should carry. We're afraid this plan is as ineffective as the 2002 plan. We're not the only ones saying it; that fear is shared by the Pembina Institute, Greenpeace and Équiterre: there's a lack of details about concrete measures and mechanisms that will be put forward; no implementation timetable or interim targets; a lack of transparent mechanisms and instruments to measure results; a target for large emitters that is so low it puts an unfair burden on the other elements of the plan; 74 percent of objectives are borne by 23 percent of those responsible for them. This means that consumers are only responsible for 23 percent of all emissions.

• (1145)

[English]

**The Chair:** Mr. Simard, give the minister an opportunity to respond.

[Translation]

**Hon. Stéphane Dion:** I've already responded to four-fifths of those criticisms, but there remains one-fifth. By definition, the plan proposes no hydroelectric targets, for example. Provinces like ours that mainly use hydroelectric power have less of a burden, from the standpoint of reduction targets, than a province using coal or other fossil energies. By definition, reduction efforts are thus way more concentrated in those provinces. In that sense, the plan is entirely fair.

**Mr. Christian Simard:** Are you alluding to the 2010 reference? That's not fair for those that have previously made efforts. If you take the 2010 reference year, it's not fair for those that made preliminary efforts during the Kyoto Protocol preparatory period. They're not recognized; it's not fair.

**Hon. Stéphane Dion:** You're giving me the argument of those who move before the others. By definition, they'll also have their efforts recognized since the targets are determined by sector. These are by-sector standards. If they move before the others, they're closer to the standard than those who delayed. So, by definition, they have an advantage.

**Mr. Christian Simard:** They won't have any money. The money will go to those that delayed. So you're favouring the poor players.



**Hon. Stéphane Dion:** No one's going to receive more than \$15 in funding. It's highly unlikely we'll achieve the \$15 target. Then everybody will be on the same footing. But beyond \$15, it's up to businesses to achieve their targets on their own.

**Mr. Christian Simard:** Mr. Dion, the market price is already \$23.

**Hon. Stéphane Dion:** You're talking about the price in the European market, which is a closed market and doesn't even have the Kyoto Protocol mechanisms. The markets in the Kyoto mechanisms are currently around \$5 and \$6.

**Mr. Christian Simard:** And they're going up; everybody knows that.

[English]

**The Chair:** You have one minute, Mr. Simard. You only have one minute now, please.

[Translation]

**Mr. Christian Simard:** Mr. Dion, do you fundamentally believe it's fair for all consumers and Canadian taxpayers to demand 36 megatonnes from those responsible for more than 50 percent of emissions?

**Hon. Stéphane Dion:** Industry, the Large Final Emitters, the 700 businesses we're talking about, were to deliver 55 megatonnes under the 2002 plan, except that it was possible to negotiate that 55 megatonne figure downward under special agreements called covenants. This time there will be no special agreements: it's 45 megatonnes, and that's a firm figure. So we're nearly coming back to the 2002 standard, except that it's now a firm objective of 45 megatonnes. We're telling the industry to send us their engineers, to stop sending us lobbyists.

**Mr. Christian Simard:** The overall reduction target for the Large Final Emitters is 36 megatonnes, Mr. Minister. You know that perfectly well.

**Hon. Stéphane Dion:** No, it's 45 megatonnes, because they're required to contribute nine megatonnes under the Greenhouse Gas Technology Investment Fund. If they don't do that, they'll have to meet their target in any case, which is 45 megatonnes.

**Mr. Christian Simard:** But the reductions won't be effective during the reference period provided for in the Kyoto Protocol. You know that perfectly well; you've recognized that.

**Hon. Stéphane Dion:** We've always said we would reach our target in such a way as to achieve long-term results. To do that, we have to stimulate research and development further. That's very important for Canada's role in climate change.

[English]

**The Chair:** I'm going to have to interrupt. That part, that time envelope, is finished, Mr. Simard.

Thank you.

We'll now go to Mr. McGuinty, if he'd like to question the minister.

Mr. McGuinty.

**Mr. David McGuinty (Ottawa South, Lib.):** Thank you, Mr. Chairman.

Thank you very much,

[Translation]

Mr. Minister. First, I want to congratulate you on your work, which was obviously very hard. I also congratulate you on the answers you've given, especially to the questions asked by Mr. Mills.

[English]

Mr. Chair, I'd like to remind the committee that when it comes to the presence and participation of Canadians on different boards and agencies, including the Sustainable Development Technology Fund, for the interest of Mr. Mills, I would doubt that the former chief executive officer of Petro-Canada, Jim Stanford, or Charles Coffey, the vice-president of the Royal Bank of Canada, or the head of Pollution Probe Canada would agree with Mr. Mills's assessment that we cannot have good public-private participation with respect to our new technology fund.

Minister, I would really would like to congratulate you on your response to the question, showing confidence, unlike the opposition, in the Canadian team that you will put together to govern the fund. I'm looking forward to seeing who will in fact participate so that we can get it right.

I'd like to ask you, Minister, to pick up on two questions, if I might, Mr. Chair. The first one has to do with the general process that you have been through in the ad hoc committee setting at cabinet. The second one deals specifically with the question on brownfields, which is part and parcel of the estimates and part and parcel of our budget.

I'd like you to give us some insight. I put the same question to the Minister of Industry and, in fact, the same question to the Minister of Finance. I think the committee would welcome hearing from you. How well does this process work? Are we now in a position where we might want to look at a more permanent relationship among the ministers who participated in arriving at this green plan?

For example, do we need more capacity in our federal system, perhaps based at the Privy Council Office, to help generate more options for you as a minister and for us as members of Parliament, particularly the options that are at the economic and environmental interface?

You speak very well about the new industrial-environmental economy that we're working towards. Did you get the kind of evidence-based, costed options that you would have liked to see, and as many of them as you would have liked, through the process?

That's my first question, Mr. Chair.

• (1150)

**The Chair:** Minister.

**Hon. Stéphane Dion:** As you know, I am working on an environmental sustainability framework. The idea is to bring industry, environmental groups, experts, academics, and governments together in order to identify objectives that we may reach. Governments, in each of their jurisdictions, would keep the capacity to decide. Since we are elected, it would be for us to decide, but we would be informed by these sectoral sustainability tables. Beyond that, environmental groups and the industry would learn to understand the constraints of each other.

The argument we have now that the industry should have 140 or so megatons because they are sending half of the emissions into the atmosphere is ridiculous. You would kill the economy and you would kill the cause for the environment with this kind of approach. The fact is some people say that because they don't understand what is happening in the industry. The industry itself must learn more about how to cut emissions, not only greenhouse gas emissions but pollution and smog. The people who are working on the environmental file have a lot of ideas.

I want to say that what I like a lot in this plan is the climate fund. The climate fund is a way to tell people to stop looking at the government and ask in which program they may sit to build a relationship and build good projects that make sense. They can come to see us with their projects, and then if it makes sense, they will receive financing. It's a way to encourage people to work together.

If I were an environmentalist in the market today, I would go to see these enterprises, the ones that have targets and the ones that don't. I'd tell them that I have an idea to help decrease tonnes of greenhouse gas emissions, but I want them to pay me a percentage when we go to the climate fund.

**Mr. David McGuinty:** My second question, Minister, relates to the government's decision to, first, catalogue federal sites that are considered to be contaminated, and then to cost the cleanup of those sites. I wanted to push the envelope out a little further. We're talking about \$3.5 billion over ten years to accelerate the ongoing cleanup of federal sites and another \$500 million to support the cleanup of shared-liability contaminated sites.

Several years ago, the government received, from the National Round Table on the Environment and the Economy, a proposal that took a different approach. It embraced the federally owned sites, but it identified an estimated 30,000 contaminated sites across the country. Through work with the Department of Finance, it was discovered that of any single economic activity in the country, according to the analysis, cleaning up Canadian brownfield sites has the highest economic multiplier effect of all. We ascertained that for a dollar spent in cleanup, 3.5 dollars to 3.7 dollars was spent in other economic activity.

There are two other aspects to this national brownfields remediation strategy. These are not in the budget or the green plan, but they're pushing the envelope a little further. The first relates to fiscal incentives made available by the federal government. The second has to do with reform of provincial lender liability regimes. The banks will not lend for the cleanup of these sites without some certainty of repayment. The vast majority of these sites are located in urban areas, usually in downtown cores, well serviced with infrastructure, sunk capital costs galore, transit, electricity, Internet, water, and waste water. I wanted to get some sense of how you see this moving forward. It's one of those wonderful opportunities, part of the new industrial-environmental economy.

• (1155)

**Hon. Stéphane Dion:** The last budget of 2004 announced \$3.5 billion for contaminated sites and \$500 million for sites not in federal jurisdictions. Most of this money will go to the tar ponds in Sydney. This year we have given \$150 million for brownfields to the Federation of Canadian Municipalities. I know some of you have

worked very hard on this, and I thank you very much. In the coming weeks and months, we will be starting the process of announcements and starting to decontaminate these sites. During the year, we have worked very hard. The criteria are ready; the announcement will come. It will be a tremendous help for all the reasons you mentioned. The effects will be felt throughout the country, including in Montreal.

**Mr. David McGuinty:** I would implore you, Minister, to raise with your cabinet colleagues this notion of a national strategy that would embrace not just the federal sites but also privately held ones. Across the country, municipalities are very worried about the possibility of foreclosure on brownfield sites for nonpayment of taxes. This is precisely what happened in Hamilton, when we had the disgraceful Hamilton tire fire, with huge health implications. The City of Hamilton-Wentworth was not prepared to take possession of the property. It became deserted, a tire fire took hold, and we know the consequences. It's an issue I'd love to see taken up with the Minister of Finance and your provincial colleagues on the lender liability side.

**Hon. Stéphane Dion:** This year we will review other possibilities of tax incentives for environmental issues. It's time for us to come forward with creative ideas, so that next year the Minister of Finance will have a range of options that make sense. I know, colleagues, that you presented many ideas on this topic at the National Round Table on the Environment and the Economy. In the plan for climate change, we mention the possibility of additional fiscal incentives, and we don't allocate any tonnes of reductions for these additional initiatives. I hope, though, they will come.

**The Chair:** Thank you, Minister.

Mr. McGuinty and Mr. Cullen, you have the next round of questioning.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Thank you, Mr. Chair. Thank you, Minister, for coming today.

I would like to get to some of the specific criticisms that have been coming forward. I have a news release from nine of the leading environmental non-profit organizations; they are very critical, I suggest. They say the plan is so limited in some places that it puts what is likely to be an impossibly large burden on the rest of the plan with respect to LFEs, and that at least 74% of the targets will be achieved through individual actions of Canadians or the use of tax dollars, while they only contribute 23% of the emissions.

I want to get to the details and find out if the rhetoric meets the numbers in the budget and other places. I see this as a good discussion paper. The disappointment I express today is that if this had started in 1997 as a framework concept of how to move forward, I would be encouraged, but we're now so close to implementation time that it leaves me with great concern as to who is actually going to pick up the bill for this.

So the climate fund...or the clean fund, I'm not sure. The climate fund, not clean fund? Are they two different things?

• (1200)

**Hon. Stéphane Dion:** I prefer climate; it is linked to the cost.

**Mr. Nathan Cullen:** Okay. So in the budget in 2005, it's referred to as the clean fund. Can I substitute that as to call it the climate fund?

**Hon. Stéphane Dion:** Yes, that's my choice, and it's the same word in French and in English. I prefer that.

**Mr. Nathan Cullen:** Yes, okay. I don't care about the wording; it's just confusing...to find out. In the 2005 estimates here, we have \$10 million towards that fund. Is that correct?

**Hon. Stéphane Dion:** We have \$10 million, yes.

**Mr. Nathan Cullen:** In 2006, it's \$50 million.

**Hon. Stéphane Dion:** Yes.

**Mr. Nathan Cullen:** And the acceleration towards 2009 is extraordinary.

**Hon. Stéphane Dion:** Yes.

**Mr. Nathan Cullen:** I remember when the Prime Minister was finance minister, one of his principles was not to look too far into the future in terms of expenditures; he would only do two-year rolling figures when he was finance minister, which I thought was prudent. It concerns me that the billion dollars talked about is off in the distant.... How can you justify that? Why are Canadians meant to feel the assurance that this is going to be a solid part of Canada's plan when there's so little money allocated this year and next year?

Specifically, I would also like to know the total reduction sought from the climate fund in tonnage—in megatons of greenhouse gases.

**Hon. Stéphane Dion:** Thank you so much. It's a new institution we are creating. This new institution will change the country fundamentally.

We need to start it on a good footing. In the first years it's normal that it starts not at the same speed as the years afterward, because we are building the system. It will work through the offset system, as you know. We will have to recognize the projects with the possibility to have greenhouse gas reductions. Once they are recognized, we will be creating the market; we will be creating in Canada a carbon market. It's not a small thing to do, and we will do a lot of it through the climate fund, because the climate fund is shaped for a market system.

How many megatons do we hope to have from that? You have that in table 1, annex 1, page 38 of the plan. The funding in the order of \$4 billion to \$5 billion through 2012 could reduce emissions by 75 megatons and 150 megatons annually, in the 2008 to 2012 period, for the climate fund. Budget 2005 provides a minimum of \$1 billion. This scope between 75 megatons and 150 megatons is because we will see how the climate fund works, and if it's working better than the partnership fund or the other initiatives, the allocation of money will follow the success of each initiative.

**Mr. Nathan Cullen:** In part III of your estimates you have the expenditure for reduction of greenhouse gases. In 2004-05 it's \$35 million. It goes up to \$54 million in 2005-06; it goes down

dramatically to \$16 million in 2006-07, and in 2007-08 it goes down again to \$14 million.

I'm thoroughly confused as to why, on the one hand, the government discusses the extraordinary importance of reducing greenhouse gases, and then, in the estimate line on program spending for the reduction of greenhouses gases, goes from \$35 million to \$14 million in spending. Can you justify this?

**Hon. Stéphane Dion:** It's because the estimates do not reflect right away the changes you will see because of the budget and the plan.

**Mr. Nathan Cullen:** Which am I meant to believe?

**Hon. Stéphane Dion:** May I ask one of my experts in accounting to—

**Mrs. Glynnis French (Assistant Deputy Minister, Human Resources and Service Innovation, Department of the Environment):** You're at page 3, are you?

**Mr. Nathan Cullen:** It's page 51, of part III of the estimates.

**Mrs. Glynnis French:** Okay, and you're looking at—

**Mr. Nathan Cullen:** It's page 51, part III, table 1, the third line down: "Reduced Greenhouse Gas emissions".

**Mrs. Glynnis French:** Each one of these components will recognize a program that has received detailed funding authority from the government based on the programs that were put forward. So this will represent a program related to reduction of greenhouse gases, which was initiated several years ago.

As these programs go through time, they fall off, and we need to go back and get additional spending authority related to the kinds of programs we're going to deliver. So we will be coming back.

• (1205)

**Mr. Nathan Cullen:** My concern, Minister Dion, is that when I take a European example—Germany or France, or England in particular—and watch that change from 2002 to relative year-based EU numbers, they're at 20%, 9%, and 6% below, while in Canada we had a promise to reduce by 20% and we're up 20%, or potentially 30%, depending on the numbers. Regardless, it was a promise broken.

We're looking to find out how we are going to tackle this very serious issue. Then, when I go into the numbers, I find out that the budget is extraordinarily back-ended. It is looking to spend a lot, further on, but when I look at the actual moneys allocated, I see reductions and I don't see a proper accounting.

Why are Canadians meant to continue to trust when the experience has been, and please afford me this, that the GHGs, greenhouse gases, will be reduced—that's the promise made—and they continue to rise to the opposite amount, the plus sign rather a negative sign? Why would this discussion paper I have in front of me give me, or Canadians, any more assurance of where we're headed?

**Hon. Stéphane Dion:** What you are looking at is existing programs that may be sunseting or not. All these programs—if I may continue before you conclude—are under review, as they should be, to see which one is working and which one is not.

**This is written on page 39 of the plan, about programs:**

Extension of existing funding for climate change programs through 2012 could bring the cost to the federal government to about \$2.8 billion. It is estimated that this level of funding could result in emission reductions of about 40 Mt annually in the 2008–2012 period. Budget 2005 notes that the \$2 billion in program spending is subject to reallocation.

It's what you are looking for.

Now, if you want to see the contribution of the 2005 budget for the cost, you have that at page iv in the introduction, the executive summary

[*Translation*]

in Roman numerals.

[*English*]

The clean fund, which I now call the climate fund, is a minimum of \$1 billion in the 2005 budget. The partnership fund is \$250 million, with the possibility that funding could grow to \$2.2 billion or \$3 billion over the next decade.

Do I have to continue? It's there.

**Mr. Nathan Cullen:** No. Again, we can read it.

**Hon. Stéphane Dion:** It's \$1 billion for the renewable and \$2 billion of reallocation for the program. It's quite substantial.

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

**Hon. Stéphane Dion:** My last point is that you compare with Germany, Britain, and France. We will do much more than they do, because by definition our target is much more difficult than theirs. I was in France recently and we compared. The Canadian target is five times more difficult than the French one. In spite of that, in Canada, if we work together, above partisanship, we will reach our target.

**The Chair:** Mr. Cullen has another minute.

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

I very much take umbrage with the notion that this is a partisan issue. This is a serious issue. I very much would hesitate to think you're suggesting I am approaching this topic as a partisan issue.

I have one last question in my minute. On the climate fund, will the Auditor General have access to the books?

**Hon. Stéphane Dion:** Yes.

I just want to say that I did not say you had a partisan approach.

**Mr. Nathan Cullen:** It was suggested.

**Hon. Stéphane Dion:** I hope not. I was saying that if we do that above our divisions and we work together, we will reach our target.

**Mr. Nathan Cullen:** Okay, the last question, if you can justify this for me, is this. Seventy-four per cent of the targets will be given over to individual actions. I'm still having great difficulty finding out why you feel that this is a balanced approach when 74% of these targets are given to individual Canadians who are causing 23% of our greenhouse gas contributions.

**Hon. Stéphane Dion:** I would dispute this percentage, dear colleague, because in fact the \$4-billion to \$5-billion climate fund will go across the economy to find reductions, and all businesses—including the LFEs, the ones that go over the target—will have access to the climate fund. At the end of the day the economy will contribute a lot, and the businesses, the municipalities, the communities will be involved and will receive funding through the climate fund. And this is—

• (1210)

**Mr. Nathan Cullen:** Just as a point of clarification, I didn't hear a number.

**Hon. Stéphane Dion:** This is the good aspect of this approach. It's a bottom-up approach, instead of a top-down.

**The Chair:** Mr. Cullen wanted a number, I think.

**Mr. Nathan Cullen:** Just to be clear, did you just refer to it as a \$4-billion to \$5-billion fund?

**Hon. Stéphane Dion:** The climate fund? Yes.

**Mr. Nathan Cullen:** Interesting.

**The Chair:** Thank you, Minister and Mr. Cullen.

We now have five-minute interchanges and will go to Mr. Jean.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Thank you, Mr. Chair, and thank you, Mr. Dion, for attending today.

I think congratulations are in order. It took nine years, unfortunately, to write 46 pages, which is fairly disappointing, but we have it in front of us today, and I am thankful for that.

I would suggest we all agree that environment is a priority. I would also suggest, sir, today, that I am very partisan. I am partisan to 100,000 people who live in northern Alberta, and we are very concerned on a couple of fronts. I am, of course, from Fort McMurray and area.

We've had tremendous growth there. We've heard from some of our colleagues that the oil sands should be cut off, or taxed, or whatever the case may be. I'm wondering, sir, how much we can see done in that area. Specifically, what's going to happen to that growth, and what's going to happen to the 100,000 people who live in that area, as far as their water quality, their air quality, the contaminated land sites are concerned?

We have uranium sites in that area that have still not been cleaned up since the 1950s. What about those problems, sir? We have a lot of health problems in that area. Not as far as money is concerned—not quantifying—but what's going to happen to that area?

**Hon. Stéphane Dion:** In this area, Athabasca, in northern Alberta.... It's difficult to find a place in Canada, except for the northern territories, that needs this plan more. It's true that a lot of the cuts will come from there. It will be very demanding. I don't hide that, and contrary to what my colleagues from the Bloc have said, Alberta will have to deliver a lot. But precisely because of that, Alberta will have a lot of room to act, because all of the LFEs that are there, that will have reductions to make, then will have to do something and will create a lot of activity in that area.

You know very well that the way it works today is not sustainable. You are using far too much water, far too much natural gas. Somewhere in the plan, if somebody can help me find it.... We know that if we use—this almost exists already—best practices, we'll be able to find a billion additional barrels. If we use better technology, it will be good for business and good for the environment.

CO<sub>2</sub> sequestration is the sole solution there. Because the LFEs will have to invest a lot in order to reach the target, it will create a new incentive to find these kinds of solutions, and it is the future for Athabasca.

So this plan is great news for your region.

**Mr. Brian Jean:** Well, I'm still looking to see what's going to come back to that area. We contribute a tremendous amount to the economy, and I know we contribute some to the greenhouse gases, but what is going to happen in that area? Right now, as you know, Mr. Dion—we've discussed this before—some of the plant sites in that area have reduced their own emissions by up to 30% on a voluntary basis. They recycle up to 90% of the water currently, and there's quite frankly no alternative to natural gas. There's no alternative at this stage that's anywhere close to economically feasible for them, other than natural gas, to produce the oil.

But still, what are we going to see of this carbon tax—because that's what it is—what amount of money? And what is going to happen in that area directly, as far as cleaning up the brownfields and making the region more livable and palatable to the people there are concerned?

**Hon. Stéphane Dion:** For Alcoa, a 25% reduction in gross gas emissions gives them \$400 million U.S. in annual environmental and energy cost savings. For BP, a reduction to 90% in gross gas emissions gave them \$650 million in cost savings.

What you see is that the champions are telling us to go ahead. They have told us they want Canada to be part of the carbon market. They see that as in their interest. We don't need to be slowed down by the slow movers. We need to listen to the champions, because at the end of the day we will create additional champions. Your industry will have more confidence in itself and will be able to see that they are gaining money in doing it. The plan will provide an incentive to do the right thing.

• (1215)

**Mr. Brian Jean:** Mr. Dion, with respect, I understand that this is fine for the oil companies, it's fine for the processing oil companies, it's fine for the natural gas companies. I'm talking about the citizens who live in that area and breathe the air and drink the water. It's not satisfactory that they live in those kinds of conditions. What kind of money, since all this carbon tax is going to come out of that area, is going to go back into that area to help the citizens there directly?

**Hon. Stéphane Dion:** In addressing greenhouse gas emissions, you are addressing other emissions that are coming from combustion, like mercury, like smog, and others. You have co-benefits for your health in doing it. It's the same target anyway. So we need to do that, not only for greenhouse gas emissions but for other sources of pollution.

Is that the answer you—

**The Chair:** If I may assist, I think what Mr. Jean is talking about is the immediate infrastructure that is being affected, for example in Fort McMurray. You've indicated the value-added, but how can the infrastructure be built up?

**Hon. Stéphane Dion:** If you have this CO<sub>2</sub> capture and storage, it will help a lot with those kinds of difficulties. I may ask my expert to explain the technical aspects to you more.

**Mr. Brian Jean:** I understand the CO<sub>2</sub> capture.

**Hon. Stéphane Dion:** You know that it will help?

**Mr. Brian Jean:** I understand—

**Hon. Stéphane Dion:** It's part of the plan.

**Mr. Brian Jean:** It's long-term. One hundred thousand years down the road it's going to be fine for them. I'm worried about the brownfields today. I'm worried about the pollution today. I'm worried about the water quality today. I am worried about a thousand years down the road, but right now I'm worried about the neediest problems.

**Hon. Stéphane Dion:** I'm more confident that we will get results pretty soon.

**Mr. Mike Beale (Acting Director General, Economic and Regulatory Affairs Directorate, Policy Integration, Department of the Environment):** I would just like to clarify that there are a number of specific industry proposals on the table at the moment for CO<sub>2</sub> capture and storage, including the construction of what they call the CO<sub>2</sub> backbone pipeline in Alberta. There are estimates that these could provide significant reductions within the 2008 to 2012 period.

**The Chair:** Might I say also, Mr. Jean, that Mr. Godfrey will be with us next week, and perhaps out of this we can pursue some of those things with Mr. Godfrey also.

We're out of time now.

**Hon. Stéphane Dion:** This is a good point, *monsieur le président*. We don't allocate any number of tonnes of reductions of greenhouse gas emissions coming from the new deal from municipalities, although we know that this will happen. It's a kind of safety net. There are no allocations for the new deal, although we will have megatons that will come from it because urban transit with decrease emissions, for instance. There are no allocation of tonnes coming from any of our technical initiatives, like the technology fund, like the \$200 million that Minister Efford will have to create the new strategy for renewable energy, and no allocation of megatons for any new fiscal initiatives that may come. We have a good safety net to make sure we reach our target if we work hard all together.

**The Chair:** Okay, we'll be revisiting that, I'm sure.

We'll go over to Mr. Paradis, please.

[Translation]

**Hon. Denis Paradis (Brome—Missisquoi, Lib.):** Thank you, Mr. Chairman.

First of all, congratulations on this plan, Mr. Minister. And I congratulate you twofold. It's definitely not easy to change ways of doing things. There is normal resistance to change in society. You can see that virtually everywhere.

Second, congratulations on getting the conference we'll be having next fall in Montreal. I believe the fact that Canada has won CoP 11 reaffirms its environmental leadership. Congratulations, once again.

I have two questions to start with.

**First, I'm looking for practical examples. Consider farmers, for example. The plan states on pages 5 and 6:** Measures to increase the carbon-storing capacity of our agricultural land and forests will create an incentive to protect our wild spaces, such as wetlands, and our biodiversity.

**Then, on page 10, it states:** Significant emission reductions and carbon sequestration are expected to take place on farms, likely corresponding to an investment of at least \$1 billion.

Advanced forestry management practices are expected to be associated with an investment of about a quarter of a billion dollars in rural communities.

If I were a farmer watching television this morning, what example could you give me as a way of obtaining those reductions?

• (1220)

**Hon. Stéphane Dion:** First, I'd tell you to go and see your MP and to put your heads together. Farmers can also make a pool and submit a project they put together themselves. They know that better than I do. It's not up to us to tell them that there's such and such a program and that they have to proceed in a particular way or else they won't fit into the program. That era is over. So they put a project together and they submit it to the Climate Fund, saying that they think they can reduce emissions by so much, which will have been certified by what are called offset credits. Another agency at the Department of the Environment will certify the projects. Once they're certified, they can be sold to whoever wants them. The Climate Fund will be one buyer. There may be others.

A business that wants to reach its Kyoto target because a cut in its emissions has been imposed on it may want to fund the project by asking that it count toward its target, and so on. So there are all kinds of possibilities. However, the Climate Fund will create the market

since it will be the major buyer. If there's no major buyer, it's hard to create a new market. In that sense, we'll be carrying out all kinds of activities in Canada that will escape the red tape of our officials, as good as they may be.

The other approach is to create about 50 federal programs. In that case, you'll jam up the system in a short period of time. I prefer to take a market approach. So, sir, tell your farmers to work with us and to show us good projects.

**Hon. Denis Paradis:** Excellent.

I'm now going to make my second point. The government's purchasing policy states somewhere that 20 percent of electric power should come from a renewable energy source. However, from the way it's written, that excludes solar energy, since it refers to electricity. Solar energy doesn't produce electricity. In that sense, is there a desire at the Department of the Environment to review all programs, at Public Works and Government Services Canada or at Natural Resources Canada, to ensure that solar energy is positioned as well as wind energy, for example?

**Hon. Stéphane Dion:** In the new budget, we've created virtually the same model for other renewable energy sources, including solar energy, as the one that was reserved for wind energy, that is to say the WPPI.

I should add that the Climate Fund will also be there to top up where necessary. However, it will be very important there be no double counting of tonnes. We don't want any duplication. Otherwise, we won't reach our 270 megatonnes. So it will be a system that's both highly flexible and very strict.

**Hon. Denis Paradis:** The third component...

[English]

**The Chair:** One minute, Mr. Paradis.

[Translation]

**Hon. Denis Paradis:** I have a final point, Mr. Minister. A U.S. politician by the name of Tip O'Neill, I believe, once said, "All politics is local."

The International Joint Commission on Boundary Waters has just rendered a decision on Missisquoi Bay and Lake Champlain, which are located in my electoral district. The International Joint Commission recommends the removal of infill blocking water circulation between Canada and the United States, which should cost the United States approximately one and a half million dollars. It also recommends that the Canadian government invest at least an equivalent amount on the Canadian side to remove, among other things, quantities of phosphorous in Missisquoi Bay in the Canadian part of Lake Champlain.

Does your department intend to closely monitor follow-up on these recommendations by the International Joint Commission?

**Hon. Stéphane Dion:** Yes.

**Hon. Denis Paradis:** Thank you for that affirmative yes.

[English]

**The Chair:** Thank you for that abbreviated answer, Mr. Minister.

Monsieur Crête, five minutes, please.

[*Translation*]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Thank you, Mr. Minister.

You gave us an extraordinary image earlier. You're going to subsidize the oil industry, which is making productivity gains. You also want to give it a benefit. Then I understand perfectly well the remark of Mr. Mulcair, Quebec's Minister of Sustainable Development, Environment and Parks, a known federalist, when he said: "It's heavily biased in favour of Western Canada and Quebec is getting it in the neck." It's not just the Bloc Québécois that's saying that; it's the Government of Quebec as well. I quote him further:

Quebeckers are helping to lower the Canadian average by producing half as much greenhouse gas as other Canadians. But they're not compensated for it. That's why the federal plan is unacceptable.

For example, he cites the Suroît power station, the start-up of which, under your plan, would be subsidized, whereas it would represent an increase in pollution in Quebec. Are you prepared to sign a bilateral agreement with Quebec to waive the use of the 2010 reference year, which is deeply unfair to Quebec, and to give Quebec the right to opt out of a program like the One-Tonne Challenge, if it wishes, with full compensation?

•(1225)

**Hon. Stéphane Dion:** Sir, I'd like you to go over what you understood from my remarks. You say I'm going to fund...

**Mr. Paul Crête:** No. You cited the example of a company that is making productivity gains and that also receives additional revenue under the plan's implementation.

**Hon. Stéphane Dion:** A company that is one of the Large Final Emitters and has reached its target is free to use its surplus as it wishes.

It can keep it for the post-Kyoto years because we know the targets will be more demanding after Kyoto. It can sell it to businesses—that's the market principle—that have not yet reached their targets.

**Mr. Paul Crête:** There's an advantage there, in any case. I'd like you to put the emphasis on Quebec.

**Hon. Stéphane Dion:** It's good for everyone, not only for the oil companies.

**Mr. Paul Crête:** Yes. However, we know where they are. We don't have them back home.

**Hon. Stéphane Dion:** Yes.

**Mr. Paul Crête:** The Suroît power station example illustrates that very well.

Are you prepared to sign a bilateral agreement with Quebec to honour the efforts that have been made in the past and as a result of which Quebec is now at the head of the class, but is being penalized for it?

**Hon. Stéphane Dion:** Quebec isn't being penalized.

**Mr. Paul Crête:** It was Quebec's Minister of Sustainable Development, Environment and Parks who said: "It's heavily biased in favour of Western Canada and Quebec's getting it in the neck." Now, "getting it in the neck" means "paying for it".

**Hon. Stéphane Dion:** If you'll allow me, I'll answer. You can repeat the same quotation to me 10 times, but that doesn't let me answer.

**Mr. Paul Crête:** Go ahead; we can hardly wait.

**Hon. Stéphane Dion:** All right. Thank you. Quebec isn't being penalized for the simple reason that there are no targets for hydroelectricity.

If you want hydroelectricity to have a target, tell me, but that doesn't seem very fair to me, since it doesn't emit any greenhouse gases. If I can continue...

**Mr. Paul Crête:** The hydroelectric industry's efforts...

[*English*]

**The Chair:** Excuse me, Monsieur Crête, we have a question. Allow the minister to answer.

[*Translation*]

**Hon. Stéphane Dion:** Yes. You're repeating the same question 10 times. Let me answer it. There are no targets for hydroelectricity and that's normal since it doesn't emit any greenhouse gases.

It's much more demanding in Alberta because most energy sources are fossil-based. There are targets everywhere. All those businesses have to meet targets. There are a lot fewer in Quebec than in Alberta.

By definition, greenhouse gas emissions reduction targets are much higher in Alberta relative to its weight in the federation.

**Mr. Paul Crête:** Do you mean that the efforts Quebec has made in the past shouldn't be taken into consideration, that there won't be any bilateral agreement with Quebec?

**Hon. Stéphane Dion:** I'm saying that hydroelectricity... You know perfectly well what I'm saying. You're pretending to be indignant.

**Mr. Paul Crête:** No, I'm not pretending.

**Hon. Stéphane Dion:** You're pretending.

[*English*]

**The Chair:** Minister.

[*Translation*]

**Hon. Stéphane Dion:** I understand your game perfectly well.

**Mr. Paul Crête:** You're very good at playing with words. You can't answer my question. That's the problem.

[*English*]

**The Chair:** Excuse me.

[*Translation*]

**Hon. Stéphane Dion:** I'm answering it perfectly well.

[*English*]

**The Chair:** Mr. Crête and Minister, just one moment. Excuse me, if I may interrupt?

From time to time the industries, regardless of where they are, have raised the issue of retroactive credit for emissions reductions. I think what Mr. Crête is asking is, first of all, have you given some consideration to that issue? And secondly, does it apply differently in the province of Quebec? And I think Mr. Crête is pursuing the notion that there could be a bilateral agreement in that area in particular.

[Translation]

**Hon. Stéphane Dion:** There are two aspects to that question.

[English]

**The Chair:** Could you please address that in its total?

[Translation]

**Hon. Stéphane Dion:** Yes, please. I'd like that, Mr. Chairman.

First, the same rules apply across Canada. For that reason, in the provinces where the energy source emits little or no greenhouse gas, there will be far fewer targets to meet. The efforts is thus, by definition, recognized. That's the first answer.

Second, there will indeed be bilateral agreements with each of the provinces and territories. That will be done through the Partnership Fund. We can sit down together and establish our joint priorities, either on a bilateral basis—between the federal government and only one province—or between the federal government and all the provinces. This is the kind of agreement we hope to reach with Hydro-Quebec, with the hydro companies of Manitoba, Newfoundland and Labrador and Ontario.

There will be a lot of things to negotiate together. That will help everyone and will be a powerful help to Quebeckers.

[English]

**The Chair:** Thank you.

We're out of time there, Mr. Crête. It's five minutes, thank you. We'll come back, though. The minister has indicated he's going to stay here until 1 p.m., I think.

Ms. Ratansi, you have questions for five minutes, please.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you, Minister, for being here, and thank you for the work you've done to date.

Canadians are very concerned about the environment as it impacts on their health. I've heard comments constantly about why we haven't moved forward, why is it taking so long? And as I sit and listen, I can understand why, because we have so many naysayers who contradict each other and don't give you any constructive issues to move forward.

So from a strategic perspective, in the plan you've laid out, you've taken an assessment, conducted stakeholder analyses with industry and environment—because that's why you're trying to do, is sustainable development—and you've also put in a review and monitoring process. My question is regarding the climate fund.

You say it is a market-based mechanism, so there has to be a demand and supply. And it is a Canadian-made solution? Am I right in understanding that it is a made-in-Canada solution? Who will be the supplier? Where will the demand come from? And you said LFEs could buy their credits from there. And how do you envisage this market mechanism functioning? You talked about it leading to innovation, so I am trying to get a handle on how you see the whole process working. Is this like a potential Canada stock exchange, an environmental stock exchange for Canada?

● (1230)

**Hon. Stéphane Dion:** Okay. Let me read to you.... We will consult on the exact design. It's in Annex 6 of the plan. We announced that.

**Ms. Yasmin Ratansi:** Okay.

**Hon. Stéphane Dion:** The possibility would be that the Minister of the Environment will establish a program to issue domestic credits under section 322 of the Canadian Environmental Protection Act. The rules of the program will be finalized by an interdepartmental team of officials drawn from Environment Canada, Natural Resources Canada, Industry Canada, Agriculture and Agri-Food Canada, the Department of Foreign Affairs and International Trade, and the Privy Council Office after extensive consultations in the coming weeks. We want to have results pretty soon, but we will consult extensively. The government will consult Canadians on an initial set of rules and consult again, and the rules will be finalized by the fall of 2005, hopefully. Credits could begin to be issued early in 2006.

**Ms. Yasmin Ratansi:** Okay.

Another issue that was raised was that you have a forecasting process for which you have \$10 billion assigned, and there is concern about whether you will meet the commitment. I am a little worried, because we have a lot of private members' bills. We have been very irresponsible. They're being passed by the opposition. It'll cost us \$15 billion. What do you see in the long term, if we have \$15 billion that we cannot even accommodate, which will probably make us an economic basket case, and we know the opposition has been very irresponsible in passing? Do you see a tension between your being able to meet those targets...?

**Hon. Stéphane Dion:** There is not a clause in this plan against the irresponsibility of any parliamentarian.

**Ms. Yasmin Ratansi:** Thank you.

**The Chair:** Thank you, Ms. Ratansi.

We'll go over to Mr. Cullen.

**Mr. Nathan Cullen:** I have to take some small objection to the last comment made in a partisan nature. With the non-partisan nature of this committee, it is extraordinarily disappointing to hear committee members talk this way.

I want to get back to this plan.

Minister, I don't doubt your sincerity. We've spoken about these things a number of times. My question remains in terms of expenditures and trying to find the money that's actually going to create the reductions that are being sought.



I can't congratulate you for the \$2 billion of old money that's being allocated, simply because there was credit taken when that money was announced—this is a positive thing for Canada—but wasn't spent. To my mind, that gives me greater concern for the future, going ahead. If we've had this record of wanting to announce money and then being unable—or whatever the reason, I don't know the reason—to distribute the money, then looking through the budget estimates and trying to find where these.... And on the language in the plan, I would ask your writers to go back. There are many ifs and maybes and coulds and shoulds, and I'm looking for definitiveness. So I'll ask some definitive questions, if I can.

Around the issue of grandfathering companies that have made progressive movements, I think a lot of them—I'll take the mining sector for a moment—assumed in good faith that with 1997 signing on and 2002 ratification, they would have to make some reductions, and did so. Is there any notion within the plan that you've put together of allowing for the grandfathering of reductions made on some percentage basis from some specific date forward?

**Hon. Stéphane Dion:** In every program you start, you need to not be unfair for the early movers.

**Mr. Nathan Cullen:** Yes.

**Hon. Stéphane Dion:** At the same time, you have to avoid paying for something that would have happened anyway. These are the two parameters you need to keep in mind.

What we will do in this case, unless Mr. Beale has something to add, is that for each sector we will have a standard that will be the average of the sector, and by definition, the ones that have moved before the others will be closer to the standard than the others and will have less then to deliver for 2010. In this way, we are being very fair for the early movers.

• (1235)

**Mr. Nathan Cullen:** Particularly for some sectors, I'll be very keen to see where those standards are applied.

The second question I have is around the notion of fixed-process emissions. In the briefing we had on this plan, I was left with a bit of a disturbing feeling, frankly. I would like to know this. Who's setting the criteria for what a fixed-process emission is, and what percentage of the LFEs that we're looking at meet that criteria?

**Hon. Stéphane Dion:** How the criteria will work is that we will consult to be sure it is fixed by the Government of Canada at the end of the day.

**Mr. Nathan Cullen:** Do you know that right now?

**Hon. Stéphane Dion:** Yes.

**Mr. Nathan Cullen:** Do we know what the percentage is, and do we know what the criteria are right now?

**Hon. Stéphane Dion:** For what?

**Mr. Nathan Cullen:** Do we know what the criteria are for a fixed-process emission right now?

**Hon. Stéphane Dion:** It's zero. Fixed-process emissions don't—

**Mr. Nathan Cullen:** I suspect you might not be understanding my question.

**Hon. Stéphane Dion:** Ah—it is how the criteria will be defined.

**Mr. Nathan Cullen:** My question is, do we have criteria right now?

**Hon. Stéphane Dion:** Yes.

**Mr. Nathan Cullen:** If so, when you look at the LFEs in their contributions to greenhouse gas emissions, what percentage of the LFEs presently fall under those criteria?

**Hon. Stéphane Dion:** It depends on the sector you are speaking about. In some sectors it's a lot, and in others it's quite low.

Mike, do you want to say more?

**The Chair:** Could you engage that part of the question?

**Mr. Mike Beale:** Yes. I don't have the exact percentage of total emissions that fall into the fixed process category, but they apply in particular to the cement sector, the lime sector, the aluminum sector, and the iron ore sector.

**Mr. Nathan Cullen:** Let's take one of those sectors, just for a moment.

How much time do I have left, Chair?

**The Chair:** Two and a half minutes.

**Mr. Nathan Cullen:** Great. In the cement sector, what part of the emission is greenhouse gases? Is there no allocation and no understanding of seeking those types of companies and those emissions, to capture those greenhouse gases made under their fixed-chemical processes? We know cement is cement, and this is how you make it, and this is the product that comes out—

**Hon. Stéphane Dion:** If I'm not wrong, cement has a lot of fixed emissions.

**Mr. Nathan Cullen:** Is there no notion within this plan of asking those companies—demanding of those companies—to attempt to capture the carbon out of the other end of the process? It seems we're giving them a bit of a free ride by saying since it's part of your chemical process, you will produce these, and off they go—whereas we know many industrial technologies are able to capture that greenhouse gas emission. I'm curious about why those companies would be let off.

**Hon. Stéphane Dion:** In our consultations in the last two years with the LFEs, it has been clear the Europeans recognized this problem as well. They are not allocating targets for this kind of emission because it's a chemical one that has nothing to do with combustion. In the current capacity we have, we need to recognize that if we impose on industry to find a solution, we don't know where they will find the solution.

But about combustion, there are a lot of possibilities, and we asked them to focus on them; we think it's fair.

**Mr. Nathan Cullen:** Yes, so allow me to express my concern that we aren't demanding those fixed-process industries capture the carbon they produce.

But I'll move on for my last question. With respect to the overseas credits, what percentage are we estimating Canada will need to purchase? Do we have a yearly estimate of what we're going to require?

**Hon. Stéphane Dion:** The sole initiative in the plan that is fitting for eventually going abroad is the climate fund. All the other initiatives are domestic.

**Mr. Nathan Cullen:** So it must fall within the...is it 75 megatons?

**Hon. Stéphane Dion:** And it's impossible to know—

**Mr. Nathan Cullen:** A hundred and fifty?

**Hon. Stéphane Dion:** It's impossible to know today—

**Mr. Nathan Cullen:** That's quite a bit.

**Hon. Stéphane Dion:** It's impossible to know today what percentage of the climate fund will go abroad, because we don't know the strength of the domestic market in Canada. I'm sure that a good member of Parliament like you will make sure that in your riding a lot of projects will come and will find credits in Canada.

• (1240)

**Mr. Nathan Cullen:** My last comment is that in particular...let's take the mining industry, because I know it better than most. The reductions made to date are often referred to as the lowest-hanging fruit. I would suggest that in not really incorporating any notion of grandfathering or adopting a baseline of when those reductions are made, there may be a very overambitious estimate of what companies can still further pursue. This buying of credits—I think it was called a shock absorber by Minister Emerson yesterday—is going to increase that quite a bit.

I'm left with little assurance in terms of the amount of spending and the actual allocation government has made.

**Hon. Stéphane Dion:** If you will allow me, dear colleague, it's very interesting—you should argue with yourself, because at the beginning of our conversation you were saying we were not demanding enough for the LFEs, and now you're afraid we are asking too much. I think we have a fair target, and they will deliver it.

**Mr. Nathan Cullen:** Don't twist. Don't twist. You know the specious nature of that argument.

When I look through the LFEs and when Canadians look at this program, it says the major contributors—some of which are the most profitable, and no one denies that, and no one would reject the LFEs' opportunity to exist in this economy—are picking up much less; and when we look in this plan for specifics as to how we're going to achieve the actual targets and meet those targets, there's nothing in this given over to specifics. It's "maybe", and spending allocations that increase five years, six years, seven years—something about a \$4 billion to \$5 billion expenditure, with very little on the books right now. I don't know why Canadians are expected to believe that promise, when we've had promises for 12 years on greenhouse gas reductions of 20%, and we now find ourselves 20% up.

**The Chair:** Mr. Cullen, please allow the minister a response to that—a short response, a short response.

**Hon. Stéphane Dion:** Can I answer? There is a question, and the short response is, first, we have the toughest target, by far, of all the Kyoto countries. Our industry has demanding but fair targets. Our industry will be able to deliver it. The first movers will be recognized because it's a standard by sector; they will be closer to the standard than the slow movers, by definition. I'm quite confident they will be able to do it. We are giving them a lot of flexibility in the means by which they may do it: they may do it in-house; they may use offset; they may trade. They may go to the tech fund, and they may go in the international market. They will deliver their 45 megatons.

**The Chair:** Thank you, Minister.

We'll go to the top of the order now, to Mr. Richardson.

**Mr. Lee Richardson (Calgary Centre, CPC):** Thank you, Mr. Chairman. I'd like to pursue one area of Mr. Cullen's questioning, and that is in regard to the climate fund, where you have now in writing suggested that we will gain up to 115 megatons of the 270-megaton gap in greenhouse gas emissions through the climate fund. That is about 40% of our targets to be achieved through the climate fund.

Throughout our hearings and our witness... You gave a speech on February 15 where you said you would clearly exclude any emission purchase that would have no effect on the reduction of greenhouse gases. When we had Minister Goodale before the committee, he told the committee, about investing in the so-called rush of hot air that's been referred to, that clearly that kind of international expenditure is not on Canada's agenda.

Well, if it's the case that international expenditure is not on Canada's agenda and, as you said, we will exclude emission purchases that have no effect on the reduction of greenhouse gases, that would leave the 115 megatons that are to be found under the climate fund for reducing the greenhouse gas emissions gap to the purchase of domestic gas reductions from farmers.

Like Mr. Paradis, I was delighted to hear about this windfall for Canadian farmers who are going to somehow get a cheque in the mail—what, as early as next week—for the reduction of 115 megatons—

**Mr. Bob Mills:** For business as usual.

**Mr. Lee Richardson:** —for business as usual.

In answer to Mr. Cullen's question, you were somewhat vague on the \$4 billion to \$5 billion that are going to be spent between 2008 and 2012 on the climate fund, but in this year's budget you have a billion dollars for 2005. I don't think we can allow you to be so hypothetical with regard to the distribution of this billion dollars. Surely you must have some sense... I ask one question, and that is, what percentage of that billion dollars in the purchase of emission credits will go to farmers, and what percentage will go offshore to buy emission credits internationally?

**Hon. Stéphane Dion:** Thank you so much, dear colleague.

By far this plan is the most precise Kyoto plan ever written on earth. This being said, we had a choice between adding a lot of new programs, very targeted, narrow programs, asking farmers to fit into this program—people prefer this and that program, and so on—and creating a market. We decided to create a market.

We will keep some programs, the ones that are working well—we discussed that with Mr. Cullen just a while ago—but in addition to that, we will create a market. The market, by definition, doesn't say farmers will have this share and others will have this share. It will be competition: provide your tonne of reductions and you will receive financing. Although we expect for farmers about \$1 billion, as is written somewhere in the plan, that's an expectation of their capacity to provide good results. It's for them to organize themselves, for their MPs.... It will be a market. The best ones will receive financing.

• (1245)

**Mr. Lee Richardson:** But surely, again.... Let me just ask you this. We are in the year, and you have a billion dollars set aside. How much of that billion dollars do you think will go domestically for greenhouse gas emissions to farmers and other Canadians, as opposed to...? If you spend that billion this year that's in the budget, how much of it will be spent in Canada, and how much of it will be used to purchase greenhouse gas emission credits offshore—Russian hot air?

**Hon. Stéphane Dion:** We will not invest \$1 billion this year. We have \$1 billion over the five years from now, and it may go up. It is written in the budget plan, if I may quote that plan: "The government will introduce additional measures as resources permit and as we learn from our investments in international experience". That's why we think the climate fund, at the end of the Kyoto years in 2012, may have received between \$4 billion and \$5 billion.

Now, it's a market. We have decided to create a market instead of coming up with a complex plan with very precise predictions about where the money will go. The best projects will receive financing.

**Mr. Lee Richardson:** I just wanted, like Mr. Paradis, in the interest of the farmers—they're all excited out there, they're waiting for their cheques—to get a kind of sense of how much they'll be getting, and when, in this windfall cheque from the government.

**Hon. Stéphane Dion:** Our estimation about what we may get from farmers in Canada is \$1 billion, but this isn't—

**Mr. Lee Richardson:** Is it \$1 million out of \$1 billion?

**Some hon. members:** No.

**Hon. Stéphane Dion:** It is \$1 billion over the Kyoto years, up to 2012.

**Mr. Lee Richardson:** I see.

**The Chair:** We just have one minute, and Mr. Mills wants to follow that up.

**Mr. Bob Mills:** Let me just give you a question from Chris, who just called on a talk show. He said he has 1,100 acres. He has about 300 acres of trees, which he sells as they grow up, for landscaping, and the rest is in crops.

He wonders when his cheque is coming and how is that going to help the environment, because Chris is not going to cut down all

those trees and then replant them. The trees are growing, the crops are growing. How is that a gain in what we're doing now? Chris is waiting for his cheque and he wonders when it's coming, because he's not going to change his practices. He's already doing great things.

**The Chair:** And if it's the Chris I know, he would rather have the mail deliver that cheque than have it come with you, Mr. Mills.

But in any case, Mr. Minister, just a short response, please.

**Mr. Bob Mills:** It's not your Chris.

**Mr. Mike Beale:** The rules for what qualifies as a credit are something we have been consulting on. In 2003 we had a cross-country series of workshops that had a lot of interest from the farming community, foresters, and others on exactly how you write those rules. One of those rules is obviously that in order to generate a credit, you must be going beyond business-as-usual practices, and that will vary from area to area.

**Mr. Bob Mills:** He's out of luck.

**Mr. Mike Beale:** We will be coming forward in the next two months with a specific proposal that will address the case you're talking about.

**Mr. Bob Mills:** So Mr. Minister, basically Chris should not wait for his cheque, or anybody who is doing the best agricultural practices that they can do today shouldn't plan on getting anything from sinks.

**The Chair:** If I may, Mr. Mills, this is a serious message to get out to those who are looking to partner on this program.

**Hon. Stéphane Dion:** And the message—it's page 10 of the plan—is: "Significant emission reductions and carbon sequestration are expected to take place on farms, likely corresponding to an investment of at least \$1 billion".

**The Chair:** But I think Mr. Mills wants to know, when is an information package going to be put together so that the farming community...? When we're talking about sequestering programs—whether it's forest, indigenous peoples, first nations peoples—when are we going to get that information out, and how?

**Hon. Stéphane Dion:** It's a very legitimate question, and the answer for now is Annex 6 about the offset system rules. It sets out the rules for the offset system, including criteria for qualifying offset credits, for consultations with provinces, territories, industry, aboriginal peoples and stakeholders. On this aspect, as in all the areas of the plan, we want to have major underground implementation steps before the end of 2005.

• (1250)

**The Chair:** We're going to follow up on that, Mr. Mills, I'm sure, but we're out of time now.

Mr. McGuinty, Mr. Bagnell had indicated that he wanted to.... We're running short of time, Mr. Bagnell. Mr. McGuinty will take it?

Mr. McGuinty.

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

It's interesting, Minister, for a party that for 10 years rejected the Kyoto plan, now that we have the plan, it can't be implemented fast enough. So I know you're working on getting out to Chris and responding to his 1,100-acre investment. It's a serious question and a serious issue, and I'm sure we will be shortly indicating to farmers across the country how we can proceed in partnership form.

I have two specific questions, if I could, Mr. Chairman, to the minister. And perhaps, Minister, I will ask also for a response from Monsieur Bouchard, the new president of the Canadian Environmental Assessment Agency, and also Monsieur Latourelle from Parks Canada.

The first addresses the national parks question. I know you mentioned the ecological integrity question on the parks in Monsieur Gérin's report of several years ago. I just wanted to know, could you help us understand where are we with

[*Translation*]

implementation of the recommendations of Mr. Gérin's report,

[*English*]

especially dealing with things like connectivity, how our national parks system must be connected, and the notion of buffering our national parks, because we know that the impacts on ecological integrity can be dramatic.

And as a practical question as well—if I could put both of you on the spot—is there any plan to convert the Gatineau Park into a national park? That's question number one, Mr. Chairman.

**Hon. Stéphane Dion:** The question is, then, on the Gatineau Park?

**Mr. David McGuinty:** The question is first on the ecological integrity report and how well we're doing now with this notion of connecting our parks, which the biologists tell us is now a very instrumental part of maintaining ecological integrity.

**Hon. Stéphane Dion:** I'm very pleased to have received additional funding in the budget for that. Mr. Latourelle will comment more.

**Mr. Alan Latourelle (Chief Executive Officer, Parks Canada Agency):** As part of the overall strategy for Parks Canada to move forward and improve the ecological integrity of our parks, regional partnership is a critical strategy, one of the four key priorities within the organization. Since the panel report was presented in 2001, we've made significant progress in working with communities and stakeholders and partners outside of our national parks.

I'll use Waterton Lakes National Park as an example. We work with the Nature Conservancy of Canada. They have bought some conservation easements that protect the ecological integrity of the park. We've worked in partnership with them, while they've generated—I'm going by memory here—about \$5 for every dollar we've contributed to the partnership.

In terms of the overall state of advancement of the recommendations of the ecological integrity panel, I reported back to the minister's round table on Parks Canada about two months ago. At

that time, the chair of the ecological integrity panel was present and recognized in public the contribution of Parks Canada and the progress we've made. We're just starting with the new funding. It's going to provide us with an opportunity to really accelerate a lot of our actions.

Our key priority is investing dollars in significant initiatives that really improve the ecological integrity. We have six to eight of them that will be launched this year.

**Mr. David McGuinty:** My second question, then.... I'll maybe just table again the notion of the Gatineau Park becoming a national park.

My question is directed to the minister and to the president of the Canadian Environmental Assessment Agency, and it deals with the Northwest Territories natural gas pipeline question. I understand President Bush and the American Senate are very keen on seeing a subsidy of over \$3 billion U.S. to make the Alaskan route as economic as the Northwest Territories route, which is a major competitive question for Canada, going forward, in natural gas. Can you give the committee some sense of where we are with the single-window notion for environmental assessment that we set up as a government some two or three years ago? How well is this progressing? Where might we be with respect to the environmental assessment?

**Hon. Stéphane Dion:** We have different possibilities, a different....

**Mr. David McGuinty:** We have an environmental assessment through the NWT that we've been examining, and that has been going through, I think, CEAA for some time, if I recollect. I wanted to get a sense, because I'm getting a little fearful that if we're not expeditious in this notion of a one-window entry so that we can get the assessments done at the federal and territorial and other levels, we may just lose this race to the Americans.

●(1255)

**Hon. Stéphane Dion:** The government is studying the different options. But in any option we take, we'll need to have a very strong environmental assessment. I have communicated that very clearly to all the parties involved who are now lobbying us in a very aggressive way. It's very clear that there is no shortcut for the environment; I have made that very clear. I don't know if I have anything additional to say.

**Mr. Jean-Claude Bouchard (President, Canadian Environmental Assessment Agency):** I don't have anything to add, except to say that if your question also dealt with the consolidation at a federal level of environmental assessment, which I think it did, we are presently working at the various options to achieve that, so that in the future, environmental assessments at the federal level will be consolidated and done in a rigorous but more streamlined way.

Again, we're looking at options. I imagine that a few months from now the government will be able to announce something.

**Mr. David McGuinty:** I hope, Mr. Chairman, we're keeping more than a watching brief on the American situation in Washington. It would be a terrible disappointment to see an over-the-top Alaskan route cut through a major caribou calving ground through the ANWR, something the American Senate is ostensibly, I'm told, prepared to allow. I'm a little concerned about that.

I'd like to go back, finally, Mr. Chairman, just to the—

**The Chair:** You just have one minute now, Mr. McGuinty.

**Mr. David McGuinty:** Perfect timing.

I just want to get back to the Gatineau Park, and whether the Gatineau Park is under consideration to become a national park.

**Hon. Stéphane Dion:** I think I would like Mr. Latourelle to start. If I have something to add, I will add.

**Mr. Alan Latourelle:** Just to explain briefly, for any part of Canada to be considered for a national park, the National Parks Act is very clear that we need a federal-provincial agreement, or the province has to agree that those lands would be used for that purpose. The other condition for a national park is to ensure that the surface rights and the subsurface rights are owned by the federal government.

In the case of the Gatineau Park, part of the land is not federal. It is provincially owned—about 11% of it—and the subsurface rights are owned by the Province of Quebec. In this specific case, if it were to be considered for a national park, we would require the Government of Quebec's support, and clearly historically we have not received that level of support anywhere in Quebec to create national parks. So it's not an option we're currently looking at.

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

Our last five-minute second, Mr. Simard.

[*Translation*]

**Mr. Christian Simard:** Mr. Dion, I invite you to come and visit Cartier-Brébeuf Park in my district; it's where Jacques Cartier spent his second winter. I believe he'd spend winter in very tough conditions if he came to the park today. I invite you to come and see it. Unfortunately, the Grande Hermine, which was rotting on its base, was destroyed. There's a little interpretation centre that looks more like a completely antiquated shed. Unfortunately, an enormous waste water outfall crossing it collapsed, and the park, which was already small, has thus been divided by enormous Frost fences.

Even if, as was said earlier, we agree on the user-pay and polluter-pay principles, rather than the polluter-paid principle, it's quite hard in this case to explain to people why they have to pay to enter Cartier-Brébeuf Park in view of its present state, while we hope for future investment. How can I explain that to my electors? You should come and see it to believe it. How can I explain to my electors, to the people in my riding, why they have to pay to visit that, if there's been no investment first of all? It's a brief question because I'd like to go back quickly to the Kyoto Protocol.

**Hon. Stéphane Dion:** That's a very good question. That's why we'd like to invest in that. We see stories like the one you mentioned across the country. We created new parks under pressure and we had trouble maintaining funding for existing parks. That's why I'm

pleased to have obtained funding for existing parks and for historic sites in particular.

**Mr. Christian Simard:** Yes. It's more of a historic site.

**Hon. Stéphane Dion:** Mr. Latourelle, what's done to a site that's so decrepit that no one wants to visit it? Do we invest in it?

**Mr. Alan Latourelle:** I agree with you about the state of a number of our historic sites and national parks, as regards infrastructure and assets. Our strategy is divided into two parts: the first concerns the parliamentary votes of the 2005 Budget that the minister mentioned, and the second is a review of admission costs. Our strategy is to ensure that we improve the majority of our infrastructures at our historic sites, like Cartier-Brébeuf Park, that we raise them to an acceptable level of quality.

• (1300)

**Mr. Christian Simard:** Thank you. I want to share a thought. We met Mr. Goodale here concerning the Kyoto Protocol. There's still a structural problem: we want to continue developing our fossil energy while trying to make it more efficient and comply with the Kyoto Protocol. Have you considered using green taxation, which costs a lot less, to transfer our energy production and encourage the switch to cleaner energy? Otherwise there's a risk of investing \$10 billion and missing the mark. We can be more efficient as the global economy grows, but, structurally, we're always going to emit more, even if technology helps reduce emissions. If production increases twofold, we'll have a problem. These two logics seem to be separated: on the one hand, there's the logic of developing fossil energies at any cost, and, on the other hand, there's the logic of simultaneously controlling emissions attributable to those energies.

Isn't there a fundamental problem there, Mr. Minister? Shouldn't we have addressed the problem by making a greater effort to transfer our energy capacity to renewable and cleaner energies?

**Hon. Stéphane Dion:** But we're going to do it in a spectacular way. Under this plan, we're investing \$1 billion directly in renewable energies. In addition, the Climate Fund will of enormous help. With the Province of Quebec and the other provinces, I'm sure we're going to negotiate agreements that will enable us, for example, as I said earlier, to connect wind and other renewable energy sources to this east-west hydroelectric power line. We now have the technology to do it. The provinces of Manitoba and Quebec have suggested all kinds of ideas for doing this. Those power lines are obviously not under the Government of Canada's jurisdiction, but under the Kyoto Protocol, we simply want to help establish renewable energies. We're going to be able to be a good partner. In 2012, I assure you we'll have switched this country to renewable energies in spectacular fashion.

The other aspect concerns fossil energy. No Minister of the Environment in the world would prevent oil from coming out of the sands. It's a source of revenue that provides Canada with a standard of living we can't do without. So the solution isn't to say that we're going to prevent oil from coming out of the ground. If it were in Quebec, you know very few people would say it should be left in the sand without making a profit on it. Of course it would be used.

**Mr. Christian Simard:** By subsidizing it as is being done—there are tax loopholes for oil companies—for technological development, we're encouraging... Even when the price wasn't high enough for it to be profitable to do so, it was being encouraged. Is that the way to have sustainable energy and a sustainable country?

**Hon. Stéphane Dion:** I don't want to lose my train of thought, but I'm going to digress for a moment. The Commissioner of the Environment and Sustainable Development of the time presented a report in 2002 stating that subsidies and tax measures for fossil energy, oil and gas in Canada had a neutral impact on other energy sources. I invite you to read that report.

**Mr. Christian Simard:** I read it, but I didn't read the same thing as you. In her report, Johanne Gélinas says there have been no studies, no impact, no?

[English]

**The Chair:** This will have to be the final statement.

[Translation]

**Hon. Stéphane Dion:** I'm talking about the 2002 report. I simply want to stop that digression.

[English]

**The Chair:** Mr. Beale, would you like to give a final...?

**Mr. Mike Beale:** It was the predecessor to Madame Gélinas, and the report found that, in general, there was a level playing field in tax terms between the different sources of energy.

[Translation]

**Hon. Stéphane Dion:** We can't prevent oil from being extracted, because there's too much money to be made. Because of the tar sands as an energy source, Canada is going to be more important for the United States in a few years than Saudi Arabia is right now. The only solution is to find better extraction methods. That's one of the purposes of this plan.

[English]

**The Chair:** I think that's a good place to leave it.

Members, we're now at that critical time where the minister has to leave and we have to deal with the estimates.

Thank you very much to you, Minister, and the other witnesses. We appreciate your being here.

[Translation]

**Hon. Stéphane Dion:** Thank you very much.

[English]

**The Chair:** Shall the estimates carry as reported on the order paper? May I have a motion to that effect?

Mr. Mills is moving the estimates as reported out. But there is one exception, I believe, the exception of vote 25 under Privy Council. Is that the one?

• (1305)

**Mr. Bob Mills:** Yes.

**The Chair:** Okay.

ENVIRONMENT

Department

Vote 1—Operating expenditures.....\$671,527,000

Vote 5—Capital expenditures.....\$31,240,000

Vote 10—Grants and contributions.....\$55,654,000

Canadian Environmental Assessment Agency

Vote 15—Program expenditures.....\$15,744,000

Parks Canada Agency

Vote 20—Program expenditures.....\$344,562,000

Vote 25—Payments to the New Parks and Historic Sites Account.....\$1,800,000

(Votes 1, 5, 10, 15, 20 and 25 agreed to)

OFFICE OF INFRASTRUCTURE OF CANADA

Vote 1—Operating expenditures.....\$23,314,000

Vote 5—Contributions.....\$769,119,000

(Votes 1 and 5 agreed to)

**The Chair:** Thank you, Mr. Mills, and thank you, members of the committee.

Now, Mr. Mills, would you like to deal with vote 25?

PRIVY COUNCIL

National Round Table on the Environment and the Economy

Vote 25—Program expenditures.....\$4,592,000

**Mr. Bob Mills:** Basically I would ask that vote 25 under the Privy Council, in the amount of \$4,592,000, be reduced by \$40,000 from the amount that's reported. I would basically consider that to be probably the amount that the chairman of the round table in fact would be paid as salary. Seeing that the Prime Minister has chosen not to listen to us, even though he said he was going to listen to committees and to the House, I would propose that we remove that from the budget for that purpose.

**The Chair:** Mr. Wilfert.

**Hon. Bryon Wilfert (Richmond Hill, Lib.):** First of all, Mr. Chairman, I'm very disappointed that Mr. Mills would play such petty politics with an issue where in fact the Prime Minister said that committees would have the opportunity to review candidates. In this case, a decision was made by this committee—and not because of whatever reason...they thought was not qualified—to send it to the Prime Minister's Office.

Mr. Chairman, one of us is going to speak and all of us are going to listen, or no one is going to speak and no one is going to listen.

**The Chair:** Order.

I'm sorry, Mr. Wilfert.

**Hon. Bryon Wilfert:** Basically we sent that motion to the Privy Council Office, and the Prime Minister disposed of it the way he saw fit.

Then the committee decided, two weeks later, to send a motion to the—

**Mr. Bob Mills:** The next meeting.

**Hon. Bryon Wilfert:** It wouldn't matter whether it was a day later or 10 days later. The fact is—and I'll sum up here—that they then decided to send it to the House, obviously playing politics, in my view.

The essential fact is that the chair is not the chief executive officer or the executive director. The chair is going to chair that national round table. The Prime Minister dealt with it.

Clearly, Mr. Mills would like to reduce it by \$45,000, or some amount. I'm not sure how he figured it, but that's fine. But whether it's \$1 or whether it's \$45,000, I find it a bit small, really, quite frankly.

I hate to use that term, Mr. Chairman—

**Mr. Bob Mills:** You can do a lot with \$45,000.

**Hon. Bryon Wilfert:** —but I'm disappointed that Mr. Mills is continuing to flog this issue when in fact we have the numbers before us.

I would not support the reduction.

**The Chair:** Are there any other speakers on this matter?

**Mr. Bob Mills:** My only reply would be that this same member basically said that MPs were irrelevant in deciding this matter. So that's the level of credibility that he has, I believe, and the respect for other MPs.

**Hon. Bryon Wilfert:** Mr. Chairman, are you looking for unanimous consent to deal with this particular motion, since it wasn't on the agenda?

**The Chair:** No, I'm informed by the clerk that this is a matter of business inasmuch as the estimates only come to committee once and there's no notice of motion required. This motion, as an amendment, is in order.

Mr. Cullen, did you wish to speak?

[*Translation*]

**Mr. Christian Simard:** Mr. Chairman, I ask for the vote.

[*English*]

I want to vote.

**The Chair:** Do I have consent to call the vote?

Mr. Cullen, do you give consent?

**Mr. Nathan Cullen:** No problem. Sure.

**The Chair:** All right. All in favour?

**An hon. member:** Can we have a recorded vote?

**The Chair:** Recorded vote.

(Amendment agreed to: yeas, 5; nays, 4)

(Vote 25 as amended agreed to)

**The Chair:** Is there anything else before the chair?

Okay, thank you very much.

We're adjourned.







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