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**Tuesday, December 5, 2006**

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**Chair**

**Mr. Bob Mills**

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## Standing Committee on Environment and Sustainable Development

Tuesday, December 5, 2006

• (0905)

[English]

**The Chair (Mr. Bob Mills (Red Deer, CPC)):** If we could begin, I would ask Mr. Rodriguez to deal with the first item. I believe we decided yesterday we would have clause-by-clause of Bill C-288 on Thursday and then we would go on to CEPA on Monday, Tuesday, and Thursday of next week and try to complete it in that period.

Mr. Rodriguez, do you want to say a word about that?

[Translation]

**Mr. Pablo Rodriguez (Honoré-Mercier, Lib.):** Thank you, Mr. Chairman.

The motion was simply intended to clarify things. I can withdraw it, but I want to be sure—because I wasn't there yesterday—that the Committee has decided that clause-by-clause consideration will proceed on the 7th and be completed the same day.

[English]

**The Chair:** That's correct.

[Translation]

**Mr. Pablo Rodriguez:** Then I can withdraw my motion, given that the Committee agrees that clause-by-clause consideration will be completed by the 7th.

[English]

**The Chair:** Yes, it hasn't been moved, so you can simply withdraw it, if that's fine with you.

[Translation]

**Mr. Pablo Rodriguez:** But if I understood correctly, the Committee will have completed clause-by-clause consideration on the 7th. So, I am withdrawing my motion.

[English]

**The Chair:** That's correct.

Mr. Bigras.

[Translation]

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Thank you, Mr. Chairman.

When should we table our amendments to Bill C-288?

[English]

**The Chair:** As soon as you can get them here, so they can be dealt with on Thursday.

Are there any other comments?

I'd like to welcome our guests. As you all know, we have 10 minutes slotted for each one of you. Then we'll go to our members, the first round being 10 minutes, and the second round being five minutes. I'd ask you to try to keep within your time as much as possible. I have a little grey box that tells me exactly how long you have, so if you need a signal, just ask.

We'll begin. I'd like to welcome, on our video camera, Pierre Alvarez and Rick Hyndman.

Perhaps we could begin, please, with Ms. Johanne Gélinas, environment commissioner.

**Ms. Johanne Gélinas (Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada):** Thank you very much.

[Translation]

Good morning, Mr. Chairman.

Good morning, Committee members.

I want to thank you, once again, for inviting us to appear before the Committee. This time, I would like to discuss the issue of accountability and climate change.

I am accompanied today by Neil Maxwell, whom you now know well, and my other colleagues here are available to answer some of your questions as well.

As you know, all five chapters in our September 2006 report addressed climate change. I have outlined many of our findings at previous hearings, including the need for the government to develop and implement a clear, realistic, and comprehensive action plan that addresses both greenhouse gas mitigation and adaptation to climate change. But I am here today to talk about one critical issue: ensuring good governance and accountability on climate change.

Planning, management and performance go hand in hand. A good plan is important, but so is taking action and achieving results. Good governance and accountability are essential to the proper functioning of government. These mechanisms must operate properly to ensure that policies and programs are translated into results for Canadians. Through our audit of federal performance on climate change, we found that the government has built a foundation for future action but that there are serious deficiencies in the mechanisms required to put these ideas into action.

With an issue as complex as climate change, ensuring that these mechanisms operate properly is particularly challenging and important. Climate change is a horizontal issue—that is, one whose management cuts across multiple departments, mandates, and jurisdictions. No single department, agency, or government has all the levers, resources, and expertise to manage this issue adequately. Our audits show that the government's response to climate change needs to pay more attention to several key areas.

[English]

First, clear roles, responsibilities, and authorities need to be established for all federal departments and agencies. The roles of key departments have shifted over time. While we have been told that Environment Canada is currently the lead on climate change, what this means in practice is not entirely clear.

For example, Natural Resources Canada is responsible for most large-budget climate change programs, but Environment Canada does not have authority over the activities of NRCan or of any other department and cannot compel others to act. This means that Environment Canada's policy lead will not necessarily translate into leadership at the operational level unless mechanisms are developed to ensure coordination across government.

In addition, the transition of responsibility for climate change among federal departments has not always been well managed. This has been an obstacle to progress.

For example, our audit found that the design and implementation of the large final emitter system was hampered by shifting responsibilities, by the turnover of key personnel, and by changes made from plan to plan. Similarly, we found that Environment Canada and Natural Resources Canada have made limited progress in developing a federal adaptation strategy. Neither department was assigned the lead role, and each had a different interpretation of its responsibilities.

Broadly speaking, the current transition between ongoing climate change programs and new approaches being considered by the current government also needs to be managed so that there is strong governance and accountability. There is a clear need for the government to design and put in place mechanisms to coordinate climate change activities across federal departments and agencies.

In 2001, in chapter 6, "Climate Change and Energy Efficiency", we noted that the federal government had made some progress in developing a coordination mechanism. The Climate Change Secretariat provided a forum for interdepartmental coordination and integration, as well as for coordination with provinces and stakeholders on a national strategy. The secretariat prepared reports to Parliament on federal climate change activities and their results. Despite filling this critical gap, the secretariat was phased out in 2004 and has not been replaced.

Tracking expenditures and performances against agreed-upon targets and reporting this information to Parliament and Canadians are actions critical to ensuring results. This requires that the federal government assign responsibilities for monitoring on an ongoing basis the performance of all policies and programs. Our audit of energy production and consumption found that for the three programs, each worth over \$100 million, performance targets were

unclear. We also found that information on performance and expenditures was not being reported consistently.

Program-level performance evaluation must also be used to support monitoring and reporting against broader objectives. The federal government has made some progress in this area. By October 2005, the Treasury Board Secretariat had completed a comprehensive review of climate change programs to assess the relative success of existing programs and to develop options for the allocation of resources. This review was also supposed to initiate an ongoing cycle of performance assessment and expenditure review. The anticipated result was to have fewer climate change programs, but more information on their performance. The committee may want to ask Treasury Board Secretariat what progress has been made in putting into place an ongoing performance assessment and review process.

● (0910)

[Translation]

The large number of departments and agencies involved in climate change activities increases the complexity, and the importance, of effective performance management. However, our audit found that the framework for climate change performance management had not yet been completed. This framework should define performance expectations for climate change policies and programs, as well as indicators against which to measure progress. The Treasury Board Secretariat indicated that it intended to update the performance management framework during the 2006-2007 fiscal year, but that the framework cannot be implemented until the federal government finalizes its roles and responsibilities. The Committee may want to ask the agency for an update on the status of the performance management framework.

We found that the government also needs to improve its tracking of expenditures. The Treasury Board Secretariat is developing an electronic system to capture financial information on climate change programs. But, at the time of our audit, the information contained in the system was neither current nor verified. Until this system is improved, it cannot be considered adequate for management and reporting. The Committee may want to ask the Treasury Board Secretariat if the update of financial data, which it indicated was planned for the summer of 2006, has in fact been carried out. The Committee may also want to ask when they can expect a more robust and comprehensive reporting system to be put in place.

[English]

Tracking must be complemented by improved reporting to Parliament and the public. Reporting must be comprehensive so that spending and results can be fully scrutinized. Although the Treasury Board Secretariat reported summary information on expenditures in response to a parliamentarian's question in 2005, there has been no comprehensive report on climate change spending and results since 2003.

In its 2005 plan, the government committed to reporting on climate change annually, starting in 2008. The committee may want to ask Environment Canada for an update on when Parliament and Canadians can expect the next comprehensive report. The committee could also play an important role in identifying the information that Parliament requires for its assessment of federal performance on climate change.

Central agencies need to play a key role. Our audit found that considerable work remains to complete, update, and maintain the system that monitors and reports on climate change spending and performance. Although the Treasury Board Secretariat has undertaken initiatives in these areas, the central agencies have yet to assign final responsibility for these processes. To ensure authority for action, the central agencies will need to be involved in the development, implementation, and funding of critical interdepartmental coordination mechanisms.

In my 2006 report, I recommended that Environment Canada, the Treasury Board, and the Privy Council Office work together to develop the governance and accountability mechanism discussed here today. The government agreed with this recommendation but has yet to specify how it will be considered in its new climate change approach and to inform Parliament and Canadians to that effect. In short, while the government works to finalize its climate change approach, it is also urgent and essential that it work to put in place the mechanisms that will allow for the effective implementation of both ongoing climate change programs and new policies and plans.

Mr. Chair, this concludes my opening statement. I will be pleased to answer any of your questions. Thank you.

● (0915)

**The Chair:** Thank you very much, Ms. Gélinas.

I'd like to note to the members that we do have someone from the Treasury Board here, Mr. Raphael, so you might want to direct some of those questions to him, and also, of course, to Mr. Manson from Environment Canada.

If we could go on, it's now your turn, Mr. Alvarez and Mr. Hyndman.

**Mr. Pierre Alvarez (President, Canadian Association of Petroleum Producers):** Thank you very much, Mr. Chairman.

We greatly appreciate the efforts of the clerk to accommodate us on the schedule. Considering the subject of today's committee hearing, the fact that we're doing this by video conference, I think, is appropriate.

CAPP is the industry association representing about 150 companies and 98% of the production here in Canada from the

east coast to the north. I am the president of the association, and with me today is Rick Hyndman, senior policy adviser, who has been involved in this climate change file since the beginning.

Bill C-288 is about the relationship between Canada's near-term action on greenhouse gas emissions and the country's Kyoto target. In essence, should Canada's Kyoto target be the guiding star for our initial GHG policy step? We think not. Looking at what the world and Canada have to do to make significant reductions in GHG emissions over the next half-century leads to the conclusion that focusing on Canada's Kyoto target would be a mistake. It would continue to divert the country from getting on with what needs to be done to arguing over who is going to pay for foreign credits.

The short note we sent you yesterday takes us through some of the questions in that regard, and I will address a few of them in short form today.

First, what should Canada be doing about GHG emissions from now to 2050? The concept of emission reduction wedges is now familiar to almost everyone debating near-term GHG policies and is being explored by the National Round Table on the Environment and the Economy as a framework for action in this country. The wedge concept emphasizes the need to begin action in several key areas, areas that can stabilize global emissions through major reductions in the developed world and slow growth in emissions in industrialized countries with rapidly rising energy demands. These areas include energy efficiency and conservation throughout the economy; carbon dioxide capture and storage; in this country, coal-fired electricity, oil sands production and upgrading, and some chemical production; renewable electricity and fuels; nuclear power; fuel switching and cogeneration; and forest and agricultural sinks.

The value of the wedge pictures of what can be accomplished by 2050 is the focus it brings to assessing actual actions and the policies required to make them happen. Policies now, initial actions now, investing in technology development now—but recognizing that results will take time.

Two, how can we get going? As was just indicated by the commissioner, we need to identify, analyze, and compare costs in deciding on actions and then pursue them. We need to move ahead where and when ready, and we need to take acceptable, affordable initial steps, get going, build on success, and increase our effort over time with other countries.

Three, what should the policies be for an initial step? To begin with, the federal government and the provinces need to work together in designing policies and programs for emissions across the country. Some of these are ready, or almost ready, and others will take some time.

One area where considerable work has been done and is ready for decision and implementation is the GHG intensity target system for large energy-intensive industrial sectors. The work on the target system over the past four years has been guided by principles that are extremely important to us and to many other sectors. These principles include the intensity approach to avoid penalizing economic growth; equivalent treatment across sectors; defined limits on the cost of compliance to address uncertainty and competitiveness; adjustment for increases in GHG intensity driven by compliance with new environmental regulations; phase-in of targets for new facilities; promotion of R and D through a compliance option, such as a technology fund; and efficient, harmonized federal-provincial implementation.

As billions of dollars have been invested and committed on the basis of these principles, they are very important to industry and the investment community. We are hopeful that the current consultation process dealing with completing the design of intensity targets will be successful and that we can move on to implementation early in 2007.

Four, how would properly designed intensity targets advance action on one or more of the wedges? Targets create ongoing pressure on existing facilities across all large energy-intensive industry sectors to improve GHG performance. The defined price compliance option provides for increased investment and advanced technology, again through a technology fund, and step changes can be incorporated into new facilities as they are brought on.

Complementary strategies are needed for key technologies to deliver significant improvements over the medium to long term. A notable example is CCS, carbon dioxide capture and storage. The federal government needs to work with the provincial governments involved in CCS and industry to agree on a strategy and to move forward in this regard.

Five, would committing to implement the Kyoto target in Canada help us contribute to the international effort? The 2050 wedges perspective focuses on required actions. The Kyoto targets focused the world on allocating near-term quantitative national emission targets. Canada's target focused this country on allocating the burden of paying for foreign credits to cover the country's Kyoto gap.

Kyoto targets are all about dividing up a pie. To stretch the analogy, the wedges perspective is about figuring out how to make the pie. The U.S. energy information agency's most recent projection on global emissions by region indicates that, in aggregate, the emissions by countries with Kyoto targets will be below their 1990 levels and close to their aggregate of targets. However, one of the problems with the Kyoto approach is the distribution of those targets. Canada has a target that is over 30% below its trend in emissions in 2010. It would make no sense for Canada to devote billions of dollars to buy credits to reach an artificial target when we need the resources to get us going on the right path for the longer term.

● (0920)

As we've seen by recent international events, the current Kyoto structure has no future. There is growing international recognition of the need to find ways to cooperate on actions that will produce results over time. Another round of debates over how emissions rights should be allocated internationally is a waste of time. It will not succeed. Committing to implement policies to achieve Canada's Kyoto target would set this country back another five years. Remember, we've been at this for a long time now. This country needs to take an initial step in the right direction and get going.

That concludes my remarks, Mr. Chairman. I'd be pleased to take questions later.

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

We will go on to our next witness, Ms. Donnelly.

**Ms. Aldyen Donnelly (President, Greenhouse Emissions Management Consortium):** Thank you for having me. I'll try to be quick.

I'd like to point the committee in a different direction than prior witnesses have. I've enjoyed reading the blues, and for a change, I've decided not to cover ground that others have covered before me.

For a bit of background, GEMCo is a not-for-profit consortium of Canadian large emitters. The large emitters join GEMCo to share in the process of learning how to trade carbon credits, how to manage their inventories, and how to develop business strategies to accommodate a carbon-constrained future. GEMCo has existed since 1995. A typical Canadian company belongs to GEMCo for three or four years and then moves on. At any point in time, GEMCo companies are competitors. They don't like each other very much. They share in the cost of learning. As soon as they feel they've reached a certain threshold, the last thing they want to do is talk to each other about how they're going to approach the carbon market competitively.

Together, GEMCo and its members have fought carbon credits and greenhouse gas credits speculatively in the carbon market since 1995. Our market activity is much reduced now compared to years past. But because of our historical activity, I'm still the largest carbon credit buyer in Canada and the third largest in the world.

Having said that, it tells you more about how little real market activity is happening than about how large an influence I am in the market. To put our current level of activity together this year, which has been a slow year, by the end of the year, we and our members will have firmly contracted to acquire 350,000 tonnes of future greenhouse gas reductions from Canadian landfill gas operators, and we will have optioned another 350,000 tonnes. And this will be our smallest year for commercial activity.

The principal goal of our commercial work is not to scoop the market, but to learn how the market should work, and will work, before we're stuck in it. You'll find that we have recommendations or ideas that are fundamentally different from what you may hear from many others. I think the difference between our recommendations or views and others is based on our commercial experience.

I have two other points. I put together the very first agriculture biological sequestration credit trade in the world in 1998. Prior to our putting together that transaction, which committed us to buy 2.8 million tonnes of carbon credits from 137 farmers, Canada's position was opposed to recognizing soil carbon gains. Our sole purpose in doing that one transaction was to prove that you should change your position. In 2001, I put together the first ever CO<sub>2</sub> injection enhanced oil recovery carbon credit trade. It's not about to be done. We did a 700,000-tonne deal in 2002, where we are financing a CO<sub>2</sub> injection project in the Texas panhandle.

Based on those experiences, I guess my punchline is—and I should say that my views don't necessarily represent my members or speak for all of industry; I've already described our group as diverse—if this Parliament passes Bill C-288, you're sending a strong signal to industry that you still don't know where you're going. It's pretty reasonable to predict that if you pass Bill C-288, the civil service and the politicians will be thrown into a six-month tizzy of writing reports—on the one side why, and on another side why not, you can achieve the Kyoto targets. That adds six months to a schedule that we're already behind on—at least six months.

The question I would ask you to ask yourselves is what you need to move forward. We're revisiting an old topic.

What we've handed out is a two-pager, in two languages, that has my key messages. I apologize to those of you who are French speaking. At the last minute, I also decided to hand out the speaking notes I made for myself, because I have tables and data in my speaking notes that you might find useful.

• (0925)

The bottom line is that when you look at the speaking notes, you'll see that in the international market, before accounting for Russian hot air, the Kyoto Protocol created a massively oversupplied quota market. At the end of 2004, the global greenhouse gas quota supply, created under the Kyoto Protocol, exceeds the maximum physical capacity of the countries covered by the emissions quota supply by 1.7 billion tonnes.

To go at this number in a different way, assuming that Canada has to enter the international market to buy 1 billion tonnes to meet our Kyoto commitment, after we withdraw the required billion tonnes from the Kyoto market, there's still 1.75 billion extra quota units out there. As well if the CDM/JI board keeps approving projects at its

current rate, another billion tonnes of excess quota units will added to the market.

To use up all of the Kyoto limit, every nation in the world would have to increase its greenhouse gas emissions at a rate of 4.5% per year from now on. In other words, there's no cap; it's a false market, and we don't know why Canada wants to participate in this market.

The Kyoto Protocol is a trade agreement; it is not an environmental agreement. The Montreal Protocol is a fine example of a very effective environmental agreement. I was surprised to see that witnesses before me actually described the Montreal Protocol and Kyoto Protocol as parallel. They couldn't be more different. If you want to know what an effective international greenhouse gas treaty looks like, it looks like the Montreal Protocol, and it doesn't look anything like the Kyoto Protocol.

So my view is that from today on, our Parliament has to step back and say, what do we do next? We have two options. One is to re-enter the Kyoto process, recognizing the serious implications of Kyoto as a trade agreement, as a trade treaty—as an unprecedented historical attempt to create a new global quota regime that fundamentally changes how national economies work. Or we can walk out of Kyoto and be the country that steps back on the international scene and tells the world what the Montreal Protocol for greenhouse gases looks like.

In previous hearings, I heard one member of Parliament ask at least twice why Canada thinks we could influence anybody in this regard, since we're so small. Read my lips: if we walk out of the fake Kyoto market, it crashes. It's in oversupply. There are only three buyers, if you take the European Union as a bloc. Everybody is in oversupply except Japan, New Zealand, and Canada. We walk; we call the shots. Don't lose this opportunity.

When you go through my speaking notes, you'll see that domestically, if we were going to walk, the first thing to do is to sit down to seriously develop and reach consensus on a greenhouse gas budget for Canada that applies to the years 2008 through 2050—not 2008 through 2012, not 2050, but 2008 through 2050, which I must admit I read as the intention in the recently tabled notice to regulate. I understand that others don't read this notice as having that intention.

In my document, you'll see that I'm trying to encourage you to think of our getting into a process in Canada where we agree to a budget. We don't think of that budget as 500 million tonnes or 700 million tonnes a year. It's 19 billion tonnes of Canadian right to discharge into the environment from 2008 to 2050, or 23 billion tonnes, or 26 billion tonnes. It's a budget for a long period.

You liberate yourself when you think that way, because when you step back for any budget over such a period, you can create a whole series of targets and timetables that don't exceed the budget. You can also put costs on, because 23 billion tonnes between 2008 and 2050 has the same impact on the upper atmosphere, whether you discharge a bunch of it in the first or the last part of the period, as long as you don't go over. Because every time you put CO<sub>2</sub> up, it stays up there for 150 years. You're not making a significant difference in timing.

• (0930)

So the question is, what's our firm long-term budget? Then given our firm long-term budget, given our economy and the sectors, now taking exactly Pierre's advice, what is the most effective set of targets and timetables, starting with firm, binding targets in 2015 at the latest and ratcheting down every five years to 2050? How do we get to that budget?

I want to step back, and I'll stop here, but one person asked me to tell you what I thought keeping the Kyoto commitment would cost. My position is that we can comply with Kyoto, and to estimate what it would cost, let's assume Canada accepts a very stringent 2008 through 2050 emissions budget. Let's assume that budget we've accepted equates to a straight line from 2008—actual emission levels down to 80% below 1990 levels in 2050. That equates to a budget for Canada of 19-plus billion tonnes over those years. I modelled the least-cost Canadian path toward living with that budget and then I modelled what living with that budget and complying with the Kyoto target and timetable would cost.

So I am suggesting that the differential between those two costs is the cost of that one compliance obligation, the Kyoto Protocol. My estimate is that that cost is a minimum of \$26 billion, and it can reach \$38 billion. All you buy for that increment is perceived reputational gain.

Our reputation is in tatters because we didn't recognize that Kyoto is a trade agreement and not an environment agreement. We can recover our reputation by returning the world to a Montreal Protocol type of approach to greenhouse gases.

• (0935)

**The Chair:** Thank you very much, Ms. Donnelly.

Mr. Guilbeault.

[*Translation*]

**Mr. Steven Guilbeault (Campaigner, Climate and Energy, Greenpeace Canada):** Thank you, Mr. Chairman.

First of all, I would like to thank you for inviting me. I want to apologize to the interpreters. My decision to appear today was made quite late, and thus I was unable to prepare written notes for the interpreters. I will try not to speak too quickly.

I have four points. First, on the international scene—I know you discussed this last week—I have had the privilege over the last ten

years of following international negotiations on climate change. I attended the first Conference of the Parties in Berlin in 1995. I was also in Kyoto. I have taken part in more than a dozen such conferences in the last decade.

I was also in Nairobi. The international repercussions of the Canadian government's policy shift as regards our Kyoto commitments are extremely significant. For example, since the month of May, the Canadian position has been publicly criticized by a number of officials on the international scene: by the European Union's Environment Commissioner, Mr. Dimas; by the German Environment Minister, Mr. Sigmar Gabriel; by the President of France, Jacques Chirac and by the French Minister of the Environment, Ms. Olin, during the Nairobi conference.

The headline in the editorial of *Le Devoir* newspaper, following Ms. Ambrose's speech during the United Nations Plenary Session, read as follows: "Ambrose is a disgrace". *Le Devoir* also published a column, that same day, by Michel David, a political columnist in Quebec, who said that it was clear that Ms. Ambrose lies as easily as she breathes.

What is emerging ever more clearly is that foreign delegates who come to see us really don't understand what is going on. In fact, Mr. Dimas, the European Commissioner for the Environment, summed it up rather eloquently in one of his statements, when he said that he doesn't understand the Canadian position on the Kyoto Protocol and that someone will have to explain it to him. People come to see us, saying what happened to Canada — Canada led the battle with respect to the ozone layer and signed the Montreal Protocol which Ms. Donnelly referred to earlier. They are wondering what happened to the Canada that led the charge on landmines, and where is the Canada which, for all intents and purposes, created the concept of peacekeeping forces.

Our international reputation is suffering tremendously as a result of this about-face. I totally disagree with Mr. Alvarez, who says that recent events demonstrate that the Kyoto Protocol has no future. Unless I am mistaken, there are some 168 countries who, once again, agreed in Nairobi to continue to move forward with international negotiations on climate change. Those 168 countries ratified the Kyoto Protocol. Is it complex to negotiate an international agreement with almost 170 countries around the table? Of course it is, and we have been doing that for more than a decade now.

Indeed, of all the countries that have made Kyoto commitments, commitments to reduce their greenhouse gas emissions—in other words, all the Appendix I countries—the only one to have turned its back on Kyoto is Canada. And yet, whether it was in Bonn or Nairobi, I heard the Japanese Ambassador, Mr. Nishimura, saying that it would be very difficult for Japan to meet its Kyoto targets, but in spite of that, it remained committed. I heard Norwegian representatives—like Canada, Norway is a major energy exporter—say that it would be very difficult for them to meet their Kyoto targets, but that they, too, were committed to meeting them.



And, for us, Bill C-288 is very important, because it brings Canada back on track to meeting its Kyoto targets and, of course, moving into the future, given that Kyoto is only the beginning of the solution. I believe that the report issued by the Briton Nicholas Stern made it quite clear what the cost debate revolves around. Mr. Stern basically told us that we can show leadership and invest now to combat climate change, or that we can bury our heads in the sand and pay dearly for our inaction later on. I believe that Mr. Stern's study pretty aptly summarizes, in economic terms, what decision we have to make now.

On the more specific question of the provincial commitment, I was absolutely astounded to hear the Minister of the Environment say that the federal government would not support the Quebec plan to implement the Kyoto Protocol, because it focused on voluntary actions. I guess she must not have read the same action plan on climate change that I did. In fact, under Bill 52, tabled in the National Assembly three weeks ago, the Quebec plan that I read about provides for the creation of hydrocarbon charge of \$200 million a year that will be used to finance public transit projects and projects aimed at reducing greenhouse gas emissions.

• (0940)

Strangely enough, that is quite a contrast with what we heard this morning, particularly from our colleagues from the oil companies, since the CEO of Ultramar has publicly expressed his support for the Quebec plan to implement the Kyoto Protocol—a plan that imposes a partial levy of \$200 million on its own industry. It is clear that this levy is anything but voluntary. Some statutes will have to be amended in order to implement that regulation.

Between now and 2008, the Quebec Building Code will be amended to improve the energy efficiency of all new construction in Quebec. There is nothing voluntary about that. As well, between now and 2010, we will be imposing new emission standards for light vehicles, taking our inspiration from the standards in place in California. Once again, there is nothing voluntary about any of this.

The only part of the Quebec Plan that relies on voluntary actions is, of course, the part relating to the large emitters. However, in Quebec—and this is not the case for all Canadian provinces—the problem with increased greenhouse gas emissions is not attributable to large emitters but, rather, to the transportation sector—something the Quebec plan directly tackles through funding projects for new infrastructure or improvements to existing service.

Indeed, an inventory review in Quebec shows that large emitters there have brought their greenhouse gas emissions down 7 per cent below 1990 levels. These are 2003 data, because we don't yet have 2004 data for Quebec. So, that is really not the sector the Quebec plan should be focussing on.

Quebec is the only province to have developed an action plan which, although it does not quite meet Kyoto targets, comes very close. Thanks to that plan, Quebec will move from about +8% to -1%, and the Quebec government is asking Ottawa for help to bridge the gap between the -1% and -6% called for in the Kyoto Protocol.

What kind of message are we sending that province by saying that its action plan doesn't meet the criteria and that we won't help it

financially to meet its targets under the Kyoto Protocol? In fact, we don't even know what the government's criteria are.

In terms of federal-provincial relations, if the goal is to develop partnerships—we talked earlier about the importance of working with the provinces—it seems to me this is an odd way to encourage the provinces and territories, and even the municipalities, to take steps to lower greenhouse gas emissions.

I would also like to talk about emissions trading, the carbon market, and flexibility mechanisms. I fully agree with those who say that the Kyoto Protocol is not an environmental agreement.

It is rather ironic to hear several organizations now denouncing the market-based mechanisms contained in the Kyoto Protocol, when they were the ones promoting them when the debate was taking place on developing the Protocol. People who have been following the debate for some time will remember that the discussion focussed on two possible avenues: the adoption of joint measures by all Schedule I countries to implement the Kyoto Protocol, or the establishment of market-based mechanisms.

European countries, in particular, were promoting what were called joint measures. They were proposing the introduction of a carbon tax which would be the same for all countries. Many organizations who appeared before this Committee at the time said that such a tax should not be introduced and that we should instead be moving towards market mechanisms. But now, these same organizations are saying that market-based mechanisms don't work and should be abandoned. There is a certain historical irony in all of that.

I am not a scientist; my background is in the social sciences. However, the scientists I have talked to say that is wrong to claim that the actual time when greenhouse gas emissions are lowered in the coming years—or in the coming decades—doesn't matter. In fact, the fourth report of the Intergovernmental Panel on Climate Change, that will be released next year, will probably contain a lot of information on that. That is also what the Stern report says and what several other reports will say that are to be released in the coming months and years.

• (0945)

The longer we wait, the more we prejudice our ability to act on the global climate system, simply because at this point, we really don't know much about how sensitive our climate is to increased temperatures.

Let me explain. If our climate only reacts to significant temperature increases, then the temperature can rise without causing problems in terms of the global climate system. The system can withstand them.

On other hand, if the climate system is very sensitive to small variations in temperature, the longer we wait to lower greenhouse gas emissions, the more significant the impacts for our global climate system.

It is completely wrong to claim—there is no scientific basis for such a claim—that the moment in time when we reduce greenhouse gas emissions is unimportant. I haven't seen a single study that supports such a claim.

In cooperation with the Quebec Minister of the Environment, Mr. Claude Béchar, representatives of the financial sector, such as Desjardins, the Sustainable Development Investment Fund, Quebec unions, environmental groups, and industry stakeholders, I recently had the opportunity to launch a coalition in support of the Kyoto Protocol to try and force the federal government's hand.

When the coalition was launched, the Vice-President of Cascades, a well-know pulp and paper company in Canada, was in attendance to say how important it is to that company that it reduce its greenhouse gas emissions. He said that this year, his company will reduce greenhouse gas emissions by 3 or 4% inside its own operations, and that this represents a \$12-million saving on its energy bill. He added that the pulp and paper industry really needs that money right now.

[English]

**The Chair:** I would ask you to wrap it up.

[Translation]

**Mr. Steven Guilbeault:** I will close with that example, Mr. Chairman. Thank you.

[English]

**The Chair:** Mr. Guilbeault, coming from Alberta, I know they've had a climate change plan in place for at least three to four years. You indicated that only Quebec had one.

[Translation]

**Mr. Steven Guilbeault:** I was referring to the most ambitious plan. Perhaps I didn't make myself clear.

[English]

They have the most ambitious greenhouse gas reduction plan.

**The Chair:** Okay. Thank you.

Mr. Godfrey, please.

**Hon. John Godfrey (Don Valley West, Lib.):** Thanks to all of the witnesses.

It's certainly been a morning rich in presentations and in contradictions, and I suspect we're going to be exploring those contradictions over the course of the morning.

I'm looking forward to hearing Mr. Guilbeault talk in more detail, in response to Ms. Donnelly and Mr. Alvarez, but I'd like to begin with the commissioner.

I very much appreciated your presentation. In a sense, I think we had this conversation when you initially released your report for 2006 on climate change.

If I may return to Bill C-288, the whole point of this bill is to actually increase accountability and, in the spirit of your suggestions, to attempt to better define roles, responsibilities, and authorities so as to understand the performance of policies and programs and to monitor and report broader objectives. The language is picked up in regard to our obligations under the Kyoto agreement.

I know the Auditor General had some issues concerning the role that was proposed for your office under the legislation. I think we will be taking it into account in our amendments, which will suggest that some of the things we originally thought you might do might

instead be done by the National Round Table on the Economy and the Environment and, I hope, would meet the objections.

I'd like to begin in terms of this bill, which recognizes that we have signed the Kyoto agreement and we've been trying to do our best. We need a plan and we need to understand what is expected from each element in terms of greenhouse gas reductions and how we're doing each year.

Does this bill go in a direction that helps to answer some of the suggestions you've made both in your report and in your remarks today?

● (0950)

**Ms. Johanne Gélinas:** As you know, I don't comment on those kinds of documents. But obviously, as I read the bill, I have to say yes, it goes in that direction with respect to good governance and accountability.

I will add, though, that whatever the new regulations are, whether we go with CEPA or with something else, as long as we don't have a good governance system internally within the federal government, you will never know and Canadians will never know what is happening. We have to work on that at the same time as parliamentarians are trying to find the best way or the best tools to make sure we comply with our Kyoto agreement. These two things can be done in parallel.

**Hon. John Godfrey:** It's that we're just understanding everybody's appropriate role here. It's the role of the executive, the government, to respond to the kinds of governance issues that you talk about in terms of coordinating and making sure the departments know what they have to do. It's our role as parliamentarians, working with you, to help monitor how that's going. I think I'm quoting you correctly from your report, where you say, well, if you have a problem with this target, tell me your new target, don't just abandon the idea of targets. That would, I assume, apply to the short term as well as the medium term.

I'd like to turn now to Monsieur Guilbeault.

I would be interested in your reactions, first of all, to Mr. Alvarez's presentation in terms of his alternative ideas about moving forward. Would you give us your reaction?

**Mr. Steven Guilbeault:** Yes, I would. I think one important thing in life is to recognize one's own limitations. So on more specific questions regarding, for example, emissions trading, I would gladly pass the microphone—and I think it's been agreed upon—to my colleague Matthew Bramley from the Pembina Institute.

Obviously, Canada went into Kyoto not as well prepared as a number of other countries were. For example, when they walked into the meeting halls of Kyoto in 1997, the European Union already knew pretty much how the allocation system was going to happen amongst the member states. Everything was not finalized. For example, at the time, the attitude of the European Union was that they would probably not use emissions trading. They ended up changing their minds on this.

The fact that we were not as prepared as we should have been doesn't mean we should abandon—I think it's really easy for some in Canada to say that the Kyoto Protocol targets are unachievable, when we haven't even tried. In 2005 we had a plan that was put on the table. In her report, Madame Gélinas said there were some strengths and some weaknesses. I've heard a number of ministers and representatives from the government say that Madame Gélinas said in her report that the Kyoto Protocol was unachievable. I fail to read that in her report, but maybe she would like to clarify that.

Then, for the government to come in and abolish a number of the programs that would have enabled us, if not to achieve our Kyoto targets, certainly to come closer to them, I don't think it is the right attitude. We need to try. We have an international commitment, a legally binding commitment, I should point out, to achieve our Kyoto targets. Bill C-288 is what we need to get on with the program.

**Hon. John Godfrey:** For clarity's purpose, I might just come back to Madame Gélinas.

Did you ever actually say that the Kyoto targets were unachievable?

**Ms. Johanne Gélinas:** That's not what I had said. I said that based on the pace and what was in place at the time we audited the federal government, I had some doubt that the government would have been able to achieve the Kyoto target, but with leadership and by addressing some key elements rapidly and urgently, it could have been possible. The jury is still out; we don't know.

• (0955)

**Hon. John Godfrey:** Thank you very much.

I'd like to turn to Mr. Alvarez.

This is a question that Canadians would want to ask you, Mr. Alvarez. You are a representative of an industry that is experiencing record high prices and where I think increasingly we recognize that if there are costs attached with business—the whole concept of polluter pay—particularly in a time of high prices, industry should absorb those costs and should be part of a regulatory final emission system. Why is it that a company like Shell can suggest, for example, “Well, I don't think we can afford to do sequestration unless you give us a hand”, when they're making record high profits? I think most people would say it's only fair, if you're going to be making money, that you cover the costs of polluting the atmosphere.

**Mr. Pierre Alvarez:** Thanks very much, Mr. Godfrey.

Let me answer the question in two ways. As you well know, in the government of Mr. Chrétien, a plan that included targets for the oil and gas industry was put forward, on the basis of which we said we were prepared to proceed. When Mr. Martin was Prime Minister, and Mr. Dion was the Minister of the Environment, he put forward a plan that included targets for the large final emitters. We said we were prepared to proceed on the basis of that plan. We have said we are prepared to go, and we are waiting, and that's what I said in my presentation: show us the rules within certain parameters; we're ready to go.

I would add that there's something that goes beyond that in terms of where the money is being spent. The biggest biodiesel project in Canada is about to be started near Red Deer. The sponsor is Pioneer,

which is a big refiner. The biggest wind generators in this country are TransAlta and Enbridge. The biggest user of solar power in this country is BP, the biggest sponsor of CO<sub>2</sub> projects, capture and storage, are oil and gas companies, and the biggest ethanol producer in Canada is Suncor. The money that these companies are making is being reinvested into the ground in terms of real live projects.

So I guess, Mr. Godfrey, what we're saying is that we don't agree with the architecture of the Kyoto agreement, but it certainly does not and has not stopped us from saying we're prepared to proceed on the basis of a set of rules, once government makes them.

**Hon. John Godfrey:** I just have a question. What would be the proportion of money that your industry is looking forward to investing in the oil sands versus investing in wind, solar, and biodiesel? What would the proportion of those investments be? What sums of money are we talking about here?

**Mr. Pierre Alvarez:** I don't have the numbers.

Let me give you an example. The next biodiesel project near Red Deer will cost close to \$500 million. Ethanol projects all cost multi-hundreds of millions of dollars, as do wind farms. Those are just the actual projects. That does not include anything for compliance under a large final emitter program, nor does it include R and D. I can get you those numbers if it would be helpful, Mr. Godfrey.

**The Chair:** Send those to the clerk, Mr. Alvarez, please.

**Hon. John Godfrey:** What amount of money, what order of magnitude of money will be spent overall on the expansion of the oil sands over the next few years?

**Mr. Pierre Alvarez:** Chair, the industry broadly this year will be investing about \$40 billion in capital. That's across the country. About a quarter of that, on an annual basis, is in the oil sands.

**The Chair:** Ms. Donnelly, I believe you wanted to get in.

**Ms. Aldyen Donnelly:** I just wanted to add an anecdote here, and this goes to Kyoto structure. According to their financial statements, over the last five years British Petroleum globally has spent \$50.48 on the development of increased oil production capacity for every dollar it has spent on all alternatives, renewables, and natural gas production capacity. But under the Kyoto Protocol, under those rules, British Petroleum hits the market with a bag full of free quota. Every Canadian oil and gas producer spends proportionately more, and when Rick's numbers come, you will see. Every Canadian oil sands producer spends proportionately more of their new capital on the alternatives and renewables than BP does. In the Kyoto Protocol, every Canadian producer starts way below the table.

If the Kyoto Protocol were in full effect and functioning right now, Petrogas would not be asking Petro-Canada for an equity position in the Canadian LNG plant. The Canadian LNG plant would not be built unless Petrogas or BP deigned to come to Canada with their pocket of free quota. The Canadian numbers are great. Canadian politicians have to understand that.

• (1000)

**The Chair:** We'll go to Mr. Bigras, please.

[*Translation*]

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

I'd like to welcome our witnesses. You may all have different views on this issue, but I do hope there is some convergence in terms of your all having the same concern regarding the need to address climate change and lower greenhouse gas emissions.

Mr. Guilbeault, you said, quite rightly, that in 1997 in Kyoto, the European Union was better prepared and better organized than Canada.

I would like you to give me an assessment of the options in terms of the preparation and the approach used in 1997—a territorial approach that focussed on setting reduction targets by territory and the whole mechanism and system of trading emissions credits.

In your opinion, if the federal government were to introduce regulations limiting greenhouse gas emissions by province, while at the same time allowing the provinces to take whatever measures they deemed necessary to meet their greenhouse gas reduction targets, would that be a viable option in terms of addressing climate change, while still ensuring some flexibility?

**Mr. Steven Guilbeault:** I think it might have been in 1997, or shortly after the Kyoto Protocol was adopted, but it would be difficult in 2006.

That said, I think the federal government could certainly implement a hybrid system, so that the provinces that want to could address this on a territorial basis. Certainly, a province like Quebec would be interested—there may also be others—in this kind of system.

If a cap on territorial emissions were put in place, I'm not sure that would go over very well in Alberta, politically. During the ten years that we wasted, we didn't even consider this. It might have been difficult, even in 1997 or 1998, but we didn't even go through the exercise. I guess we will never know. For some provinces, it is

certainly a possibility. Some have made it abundantly clear that this is how they intend to proceed.

**Mr. Bernard Bigras:** Thank you very much, Mr. Guilbeault.

My second question is addressed to Mr. Manson and deals with Ms. Gélinas' presentation and report.

Ms. Gélinas referred to lax standards with respect to reporting on spending, assessment of climate change measures, accountability and governance measures—in short, to a number of deficiencies.

When will the government clarify its responsibilities as part of the comprehensive processes that are intended to better assess climate change programs and policies in Canada?

[*English*]

**Mr. Alex Manson (Acting Director General, Domestic Climate Change Policy, Department of the Environment):** Mr. Chairman, I'm going to ask my colleague from the Treasury Board to answer that as well, because some of the points that Madame Gélinas was making in her speech were directed more to the Treasury Board than Environment Canada.

The government is developing its plan for addressing climate change and clean air right now. A notice of intent to regulate was issued a few weeks ago. In answer to the honourable member's question, we will be taking into account most of the recommendations that Madame Gélinas made in her report and addressing them as decisions are made on the measures. Once the plan is fully outlined, I presume a decision will be made on a date for reporting to Parliament and Canadians on progress under that plan. I think it will be presumptuous of me to suggest a date today. We need to wait until that is done.

Perhaps my colleague would have a few other points that he'd like to add.

• (1005)

**Mr. Roderick Raphael (Executive Director, Climate Change and Sustainable Development, Treasury Board Secretariat):** Thank you, Mr. Chair.

It's clear that the climate change file is a horizontal issue. Treasury Board Secretariat fully agrees with the report issued by Madame Gélinas, and we've worked on that report with Madame Gélinas through that process over the last year.

I would also say that climate change is not the only such file that we at the secretariat are dealing with as the central agency with respect to horizontal files.

The Auditor General released a report last year, and one of her chapters was generally on horizontal files. The secretariat is using that information as well as the information generated by Madame Gélinas's report to frame a more robust approach to horizontal file management across the government. For example, with respect to the issues raised by Madame Gélinas, it's clear that new and different approaches to horizontal management and governance are going to be required on this and maybe some other horizontal files, but those governance approaches must respect accountabilities of the departments and the senior officials and ministers in departments.

We're working through that this year right now with Environment Canada and others on the climate change file, as was mentioned, to respect the roles and responsibilities of departments and to increase accountability. It is also to focus on results and to see, when we approve programs such as the climate change programs that are going to be coming before the board, that there is a focus on the ongoing cycle and results within that cycle, as well as on reporting.

We did do a review last year at the secretariat, as Madame Gélinas has mentioned. It was the budget 2005 review of existing climate change programs. The secretariat did the first phase of that review, which was to look at the performance of over 106 climate change programs. Other phases to the review, as Madame Gélinas noted, were led by other central agencies, but in terms of the performance review—

[Translation]

**Mr. Bernard Bigras:** I understand, Mr. Raphael. You could probably spend 10 minutes talking about that. I see that you have accepted Ms. Gélinas' report and are undertaking to respond favourably to it. But when will you clarify everyone's roles and who will be responsible for this? I know you did a program evaluation, and we all read your evaluation, but do you have a work plan that will one day tell us who will be responsible for evaluating these processes?

[English]

**The Chair:** Mr. Bigras, Ms. Gélinas wants to get in as well. Then we'll go back to Mr. Raphael.

[Translation]

**Ms. Johanne Gélinas:** Mr. Chairman, it's important to make a distinction between two different things. We often talk about an action plan on climate change that the government is currently developing, but there is also what is called the machinery of government, which has nothing to do with that plan. Knowing exactly what system will be put in place to account for progress and costs has nothing to do with a plan.

Mr. Bigras has raised the same question we have been raising: what are the results? And let's be clear: although my report was tabled in late September, people in the departments were aware of the recommendations long before that. So they could have started to address these issues.

Mr. Bigras also talked about governance. This is something the Treasury Board has left up in the air for months now. In conducting our own work, we were incapable of finding out when the government would present a governance structure defining roles and responsibilities.

So, the plan is one thing, and the internal departmental mechanism that will allow us to know, in a year or two, how much money has been spent and what the results are, is quite another. That mechanism is not yet in place and has nothing to do with the plan itself.

• (1010)

[English]

**The Chair:** Go ahead, Mr. Raphael.

**Mr. Roderick Raphael:** Thank you, Mr. Chair.

To respond directly to Mr. Bigras' question, and as Madame Gélinas has mentioned, we are working on this in the response to the report issued in September. We do not have a fixed date that we can divulge today to the chair and to the committee with respect to responding.

**The Chair:** Mr. Bigras, your time is up. I think that's something, though, that we would as a committee really like to know. When you do come up with that date and that plan, I'm sure all members of the committee would like to hear about it. Thank you very much.

Mr. Cullen, please.

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

This past weekend I got to sit on a television panel with a former and present minister of the same department. When the cameras were turned off, the former minister turned to the present one and said, "Beware the power of the bureaucracy. They will tell you certain things and not others; they will do certain things." This is casting no aspersions on present company, but Canadians might be forgiven for lamenting our progress on this one issue, the ability to account for moneys spent. Business can be forgiven frustrations for not having clarity of purpose, when we can't account for what it is we wish to do and who is actually running the show.

Just to clarify, Madame Gélinas, I'm trying first to understand, under previous regimes how much money was announced, versus actually spent, for climate change initiatives. Can you remind the committee?

**Ms. Johanne Gélinas:** As of 2005, it was \$6.3 billion that had been announced. In terms of spending, at the end of the 2003-04 fiscal year \$1.6 billion had been spent.

**Mr. Nathan Cullen:** In 2004 the secretariat was phased out entirely, and this secretariat was meant to do the horizontal management, to do the tracking of departments and spending. What has since gone in its place? What commitments has government made to put in its place?

**Ms. Johanne Gélinas:** To our knowledge, nothing has ever replaced the Climate Change Secretariat.

**Mr. Nathan Cullen:** Concerning the bill presented to us today, one of the questions that has been raised is who will eventually make the decisions about targets and timelines. As it is right now, there's been some confusion in past jurisdictions as to how this was going to come to fruition.

I know it's difficult for you to comment on policy, but I'm trying to understand whether this bill moves toward the satisfaction of the concerns you raised around accountability. You suggested in your report of 2006, this past year, that accountability was one of the main concerns about ever being effective in reducing our emissions. As I look through this bill, I'm trying to find the places where that is specifically addressed. I don't know whether you have done the same or have given consideration to where that hole might be plugged.

**Ms. Johanne Gélinas:** We have not looked at the bill in that respect. We have read the proposed bill, but from an auditor's standpoint, it doesn't really matter what you put in place, as long as it is implemented. I cannot go further than that.

We have to see whether whatever we have—the Clean Air Act, CEPA, or other legislation in Canada—will be properly implemented and achieve the results for which it was designed. I cannot go further. I know you don't like these responses, but I cannot go further than that.

**Mr. Nathan Cullen:** No, it's respectful of the jurisdiction. It's a frustration in that we have to wait so many years beyond the fact to understand what was truly done and what wasn't.

Mr. Alvarez, I have a question for you, following on Mr. Godfrey's theme somewhat that your industry has recognized the importance and the threat of climate change. I don't want to make that assumption, but is that fair to say?

**Mr. Pierre Alvarez:** Absolutely.

**Mr. Nathan Cullen:** Okay.

Is the notion, then, of internalizing the costs of your production—the costs particularly of pollution, in this case, and of greenhouse gas emissions—an accepted standard or belief within the industry now; that those costs need to be internalized?

**Mr. Pierre Alvarez:** I think, Mr. Cullen, you would have different companies looking at different ways to do it. If the question is whether industry is prepared to deal with its share, then yes, I think industry is prepared to deal with its share.

• (1015)

**Mr. Nathan Cullen:** On the question, then, around the difference between emissions intensity and hard caps, I'm still confused as to why industry wouldn't seek the certainty of a hard cap—a fixed, across-the-board, level playing field for all of the competitors in your association—as opposed to the notion of intensity reductions. If climate change is a serious consideration and there are some, at least, in your industry willing to internalize the costs, why is there a reluctance about a hard cap concerning something we see as a threat both environmentally and, in the Stern report and others, economically? If we've done it before under the Montreal Protocol and other agreements, why is there the resistance to that?

**Mr. Pierre Alvarez:** I have a couple of comments. First, recognizing that we are a very global industry, you are going to have to look at what that does to an investment dollar here in Canada versus other parts of the world that are big producers. Secondly, you have to look at the issue of caps in our sector versus other caps in other parts of the economy where the investment dollar is going to flow. But I think, thirdly, the biggest issue, from our point of view, is how quickly can you make some of these changes happen, and what is the net benefit?

A quick way to achieve reductions, and hard reductions, in our sector would be, for example, to do all the upgrading of heavy oil in the United States. That is the most energy-intensive part of our business. It would certainly reduce our emissions here in Canada. On the other hand, if the Chinese or the Americans are doing the upgrading, it does nothing from a global point of view.

These are not simple tactics and they're not simple issues. We have put forward a proposal to this government and previous governments on how to accommodate that.

**Mr. Nathan Cullen:** I have a question on the use of different mechanisms. Bill C-288 talks about at least four different mechanisms available to the government to achieve our Kyoto commitments. Does your industry have a position on the notion of using tax policy and the tax system to encourage the types of investments we know your industry has already made, but to encourage them to the level that would bring us more in compliance and more to the other levels of developing countries?

**Mr. Pierre Alvarez:** Clearly, when you look at the biggest challenge facing us, it's going to be on new technology development over the medium and long term, from a global perspective. Take Canada and just lump it in with China and everyone else.

From a global perspective, if we don't find new technology that will in the short term manage the carbon dioxide, but in the long term reduce the absolute amounts going into the atmosphere, we're not going to make a difference over time. There is no silver bullet technology at this point in time. So do we see a role for government in that? Absolutely.

**Mr. Nathan Cullen:** Specifically around the use of the tax system, the way we apply taxes to business, is this something your industry would encourage?

**Mr. Pierre Alvarez:** I think it is something we have to look at. We've seen expansions of the use of depreciation, for example, into the renewable areas. We've supported the wind subsidies for the development of new—

I think you have to be very careful. You need to tread very carefully and know why you're doing it and where you're doing it, but I think, sure, there are elements and cases where it will be appropriate.

**Mr. Nathan Cullen:** Ms. Donnelly, you've very provocative statements and an interesting perspective we haven't had yet, around the market—and I know Mr. Bramley might want to take the microphone, as well—but the thing I don't understand is, with the amount of emissions trading going on in the world today, you've talked about a massive oversupply of credits. How has the market simply not completely collapsed down to next to nothing if there's such a massive oversupply?

**Ms. Aldyen Donnelly:** The market will collapse down to nothing, which is why a prudent investor is not participating in it.

And let's put the numbers in context. We all read about the value of the EU allowance market and we read about big numbers, but the January 1, 2005, to-date turnover of EU allowances—arm's-length turnover when I net out swaps—as a percentage of the stock of allowances that are in the market is 2.5%.

To put that in context, the EU phase one allowance supply exceeds the physical capacity of the covered facilities to emit by 11%. So before that market opened up, I presumed at least 11% of the supply would be turning over just because it's free. That really big number you keep reading about is 2.5%. It's 2.5% because almost everyone in the marketplace cannot make any sense of this market, because it's not a real market. So all they're doing right now is sitting on their allowances, saying, "I'm not going to play this game until it looks real to me."

**Mr. Nathan Cullen:** It's confusing to me, and I'm wondering if Mr. Bramley might take a microphone to offer a countering view. The positions in Nairobi, from the other countries coming forward on specifically emissions, were painting a drastically different picture, and certainly a much more enthusiastic picture, about the amount of money actually being traded and the freeing up of capital, as Mr. Alvarez has talked about, that was made possible to municipalities, and so on.

I'm wondering, Mr. Bramley, if you might comment on what you've heard.

• (1020)

**Ms. Aldyen Donnelly:** Could I just comment? Every time you talk to a European, they're going to be enthusiastic about this, because the only way to stop the European market from crashing is to get Canadian, Japanese, and New Zealand money into it.

**Mr. Nathan Cullen:** Yes, but as a principle of an international market system no different from a stock market, and this is what I'm trying to make some comparisons—

**Ms. Aldyen Donnelly:** It's very different from a stock market.

**Mr. Nathan Cullen:** Yes. Let's allow that.

**The Chair:** Mr. Cullen, we're nearing the end of our time.

Mr. Bramley, if you could, be very brief, please.

**Mr. Matthew Bramley (Director, Climate Change, Pembina Institute):** There are different parts of the global carbon market. The EU emissions trading system is one part. I believe that Aldyen Donnelly, in her initial remarks, was referring to the so-called "hot air" credits that in theory are available to be traded under Kyoto.

I might have time to elaborate in a later response to a later question, but on the specific question of the EU market, first of all, the EU market is essentially in a pilot phase currently between 2005 and 2007. Governments in fact didn't have all the data they needed to make allocations of permits or any other equivalently set targets for the first phase, and that led to a price correction when the data became clearer.

Having said that, the price of units that are being traded for the second phase of the EU system, that is to say the Kyoto phase 2008 to 2012, remained quite high. I believe it stayed at or around €20 a tonne. I don't think a market that's trading at €20 a tonne is a market that is fatally oversupplied. Furthermore, the European Commission

has been very clear—in fact, this has been reported on in the media recently—that for the second phase it's going to be very tough in requiring countries to allocate fewer permits so that we can be sure the market is actually short and producing real reductions.

**The Chair:** Mr. Bramley, you have testified at the last meeting. Really this was to give a new person an opportunity, so I would ask you not to get into long answers, simply because you have had your time before the committee.

Let us go on, please, to Mr. Warawa.

**Mr. Mark Warawa (Langley, CPC):** Thank you, Mr. Chair. I'll be sharing my time with Mr. Harvey.

Just to provide clarity, Bill C-288 is a private member's bill from Mr. Rodriguez, supported by his party, the Liberal Party, which was the former government for the last 13 years, when they had an opportunity to do something on the environment. The title of Bill C-288 is An Act to ensure Canada meets its global climate change obligations under the Kyoto Protocol. As we go into the bill, what is that Kyoto Protocol? It's again clarified: "the Kyoto Protocol requires that Canada reduce its average annual greenhouse gas emissions during the period 2008-2012 to 6% below their level in 1990".

We now know we're at 35% above that target. As part of the Kyoto Protocol, the previous government was supposed to report annually. The report that was due January 1, 2006, showed that Canada was on target to hit 47% above, and that it would cost billions of dollars to try to meet those targets. Clearly we were not able to meet those targets. Yet we have Bill C-288 suggesting that we continue to try to meet those targets when the previous government did not.

We now have a new government. We have a report from the environment commissioner, and I appreciate her being here today. She was here earlier when she introduced this report.

I really do appreciate, Commissioner, your challenge to this government and all members of Parliament to work together. That was my last question of you: do you believe we should be working together, particularly in a minority Parliament, because of the issue of the environment? And you did encourage us to work together.

In your report, you said:

At a government-wide level, our audits revealed inadequate leadership, planning, and performance. To date, the approach has lacked foresight and direction and has created confusion and uncertainty for those trying to deal with it. Many of the weaknesses identified in our audits are of the government's own making. It has not been effective in leading and deciding on many of the key areas under its control. Change is needed.

Mr. Chair, the government has made very clear to this Parliament that it was working very hard on a change—a change that would address climate change, a change in government focus that would address pollution levels—and thus we have Bill C-30, the proposed Canada's Clean Air Act. There were five hours of debate yesterday, and it will be debated and dealt with in the legislative committee. But at this committee now we are in the last meeting dealing with Bill C-288. So we have two opposing agendas. We have the government dealing with the environment, getting on with it and providing leadership. On the other hand, we have an opposition member providing a bill that would contradict what the government wants to do.

The question I've asked every witness to this point at the committee is this: do we believe we can meet these targets? Are they random targets, arbitrarily set, or are they scientifically set? Can we meet those targets in Canada? To this point, all but one witness has said no, we cannot domestically meet those targets. The only way we can meet those targets is to send billions of dollars out of Canada.

This government supports keeping that money here, developing technologies right here in Canada in order to be world leaders. That's my position and that's the position of the government, that we need to be clear leaders internationally.

•(1025)

Mr. Chair, I can see right now that I'm going to use my full ten minutes, so my apologies to Mr. Harvey.

We had a quote from Professor Villeneuve from the University of Quebec. He said: "In closing, I'd like to comment on the bill. This bill would have been excellent if it had been introduced in 1998"—indicating that it was not a relevant bill. If the government had acted on the bill when it had a chance, then we may have had a completely different situation from what we're dealing with right now.

Professor Mark Jaccard somewhat agreed, but somewhat disagreed. He said, "When someone said, 'This is a good bill for 1999', I would say, 'No, it still doesn't give you enough timeframe.'"

We have professionals, scientists, saying yes, we all agree that we need to come up with a plan, but what's the best plan? Is Bill C-288 the good plan? It's not based on science; it's based on politics.

Bill C-30 deals with timeframes; it moves from voluntary to mandatory. It provides clear leadership in dealing with the issues of greenhouse gases. This is what I would encourage members to support, and not support Bill C-288. But that is my personal opinion.

My question to the witnesses, and the commissioner, would be deemed a political question, so I'm not going to ask it of you. I'm going to ask this of the witnesses—Ms. Donnelly, Mr. Alvarez, Mr. Hyndman, and the witness from Greenpeace. Do you believe we can meet the Kyoto targets, as recommended or required in Bill C-288, disregarding comments from Mr. Godfrey, who said that we must not be absolutely obsessed with the Kyoto target when we are dealing with Bill C-288.

Bill C-288 requires us to meet those targets. Do you believe we can meet those targets of reducing greenhouse gas emissions by 6% below 1999 levels? Can we do it domestically? Is it a realistic target?

•(1030)

**The Chair:** Yes, Mr. Rodriguez.

[*Translation*]

**Mr. Pablo Rodriguez:** Just a moment, Mr. Chairman. I have a point of order.

With all due respect for my colleague, this is the same point of order as before. His question is biased and leading. The question is not whether we can meet the targets domestically. That is not the purpose of the bill.

The Parliamentary Secretary can't ask whether the bill will work if we remove this or that. Either the bill as a whole will allow us to meet the targets, or it won't.

[*English*]

**The Chair:** I will ask our witnesses to answer based on the bill that's before them, which I know they've looked at.

Perhaps we could start with Mr. Alvarez, please. We have a minute and a half left.

**Mr. Pierre Alvarez:** Certainly, and I will be brief.

Short of a complete collapse in the Canadian economy or the purchase of billions of dollars of foreign credits, we cannot meet the Kyoto target numbers.

**Ms. Aldyen Donnelly:** In my package I did an analysis for you. The difference between my response and the others is that in my assessment, if we were willing to go to the international market and could find all the international credits we wanted, and if we were comfortable that they met our requirements and weren't hot air, I can't see any possibility of securing more than 91 million tonnes a year from the international market at any price.

To step back, this isn't theory. Our gap has two parts to it. Right now the gap constitutes 220 million tonnes of emissions that come out of existing plants in Canada, and there's 45 million tonnes of gap that's the presumed growth in emissions between now and 2012. I can only find 91 million tonnes in the international marketplace. This means that at a minimum, to comply with Kyoto, you would have to shut down 220 million tonnes minus 91 million tonnes worth of existing facilities. That's the physics of it.

**Mr. Mark Warawa:** What does that mean in a practical sense?

**Ms. Aldyen Donnelly:** At a minimum, that's one-third of the plants that currently report their greenhouse gas emissions to the Government of Canada. The list is in the public domain. You could go through the list and pick out which one in three plants you're shutting down.



People will posit that you can go to the international market and find 265 million tonnes, but I've been in the market for 11 years and can't find them—and that's before I put any reasonable criteria on the tonnes that I'm looking for.

**The Chair:** Could we get Mr. Guilbeault's answer? Then, Ms. Gélinas, you had a comment.

[Translation]

**Mr. Steven Guilbeault:** Actually, Mr. Chairman, I don't understand the question. We are being asked whether the Kyoto targets are based on science. Starting from that premise and looking at the scientific work that's been done by the European Union, for example, on Kyoto targets and the scientific implications of reduced greenhouse gas emissions, one really cannot help but conclude that this just is not enough for the first commitment. However, the Europeans are talking about -15 to -30 by 2020. So, I'm not sure I understand your question.

[English]

**The Chair:** I think the question, Mr. Guilbeault, is basically on the 260—or whatever that exact number is—megatons of carbon. Can we reduce that to 6% below 1990 levels by 2012—yes or no?

[Translation]

**Mr. Steven Guilbeault:** That has nothing to do with science. I will just repeat what Ms. Gélinas said earlier in explaining her report, when she made the point that with the right leadership, it may be possible to meet Canada's Kyoto targets.

[English]

**The Chair:** Go ahead, Ms. Gélinas.

**Ms. Johanne Gélinas:** I don't like to be left aside, so I would just like to add one thing. My report was very clear on one aspect. Can we meet the Kyoto target? I have turned that question back to the government: if it's not achievable, it's up to the government to let us know and give us some new targets. That's still the reality. You have the information; you're allowed to come back to Canadians and parliamentarians and tell us what the new target is if this one is not achievable. We will all work together to achieve those targets.

• (1035)

**The Chair:** Mr. Scarpaleggia is next.

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

I'd like Mr. Bramley to come back to the table. Is that possible? Something has been left hanging here.

**The Chair:** It would be for the numbers, certainly, if he has them.

**Mr. Francis Scarpaleggia:** Ms. Donnelly said you can't find enough credits.

**Ms. Aldyen Donnelly:** Can I give one point? I dropped hot air out of the—

**Mr. Francis Scarpaleggia:** Yes, absolutely. You said you can't find enough credits.

Mr. Bramley, could we have your response to that, briefly? I have another question I'd like to ask the commissioner.

**Mr. Matthew Bramley:** First of all, I think we heard a contradiction, because in her opening remarks Aldyen Donnelly

said that the market was massively oversupplied; later she said she could only find 91 megatons, and those two things seem to contradict one another.

I would refer you initially to the testimony of Andrei Marcu to this committee. He said that under current scenarios there are 150 million tonnes of CDM credits available. I think he also said in his presentation that the supply is increasing all the time and that Canadian demand wouldn't have that much effect on prices.

**Mr. Francis Scarpaleggia:** If I may interrupt, Ms. Donnelly, how do you respond to that?

**Ms. Aldyen Donnelly:** First of all, he's right; I did contradict myself, because I didn't stipulate, when I said I could only find 91 million tonnes, that the first thing I did was drop the hot air quota and credit out of the market before I went looking for the 91 million tonnes. As of November 29, the total number of projects that have been approved by the CDM market will generate 104 million tonnes a year. The CDM boards only issue 21 million CERs. Of those 104 million tonnes a year, only 15 million tonnes are not already on another country's progress report and incorporated in their accounts.

**Mr. Francis Scarpaleggia:** Thank you.

Go ahead, Mr. Bramley, and then I'd like to ask the commissioner a question.

**Mr. Matthew Bramley:** I will just read from the testimony of Mr. Marcu, who said that the current offsets available in the CDM pipeline amount to about 1.2 billion credits. He said that probably you'd have to discount that a little bit to end up with 800 million, which are much bigger numbers than what we just heard.

**Mr. Francis Scarpaleggia:** Thank you.

**Ms. Aldyen Donnelly:** My analysis actually uses 1.5 billion as the long-term forecast. I get 91 million tonnes a year. Out of a long-term forecast, that's 1.5 billion in comparison to Andrei's.

**Mr. Francis Scarpaleggia:** Thank you.

Madame Gélinas, I'll come back to the question of accountability. When this bill is passed, there will be a need to create a plan to meet the targets. I imagine it would not be correct for you yourself to evaluate that plan, but would you agree that it would be more than acceptable, and indeed would be desirable, for you to audit progress towards meeting that plan every couple of years or so?

**Ms. Johanne G  linas:** That's the plan. Whatever plan comes out, as the Commissioner of the Environment, I will audit it. The only thing I would like to caution you about, based on the previous work we did, is to make sure that this time it's based on sound analysis, which was not necessarily the case in previous decisions made in the past. Make sure you have the right information before you take any decisions and build a plan.

**Mr. Francis Scarpaleggia:** Thank you.

My other question has to do with the fact that we seemed to be in a phase where we had something going. It might not have been perfect at the time, but we were moving forward. The entire progress has now been interrupted because the government is reinventing things.

But we had some "architecture", to use Mr. Alvarez's terminology, that was quite effective. We had the EnerGuide program, the one tonne challenge, and some other programs. We've scrapped them, even though I believe the analysis and recommendations of public servants were that they were working fine in some cases.

Do you think it's productive to start all over and scrap what already existed and was working fine, Madam G  linas?

**Ms. Johanne G  linas:** I have a couple of things to say on that.

I have rightly said there were some good foundations and the government should build on those. I also said we should be careful not to reinvent the wheel.

If I can use the example Matthew used when he was talking about the EU emission trading system that the EU is still piloting, in the case of Canada, we will not even have time to pilot our own emission trading system. I made that point in my report. The clock is ticking. We have to get on with the job and do something about it.

We have not audited the project green initiative. Project green was presented at the time we were doing the audit. Would project green have achieved the Kyoto target? Nobody knows. But I have to make it clear that we didn't audit project green.

As we were looking at some elements, we said there were some good elements to it and that at least those that seemed to work well should be considered in the future.

• (1040)

**The Chair:** Mr. Scarpaleggia, your time is up. I'm sorry.

Mr. Harvey.

[*Translation*]

**Mr. Luc Harvey (Louis-H  bert, CPC):** I found one of Mr. Scarpaleggia's comments quite amusing, when he talked about interrupted progress. But that assumes that there has been progress, when in fact the situation has steadily deteriorated until now, by 35%. He talks about interrupted progress. But that is always a matter of opinion.

That said, Ms. G  linas, the Liberal Party had talked about potential budgeted expenditures of \$6.3 billion, but in actual fact, they only amounted to \$1.6 billion. Is that correct?

**Ms. Johanne G  linas:** You are comparing apples and oranges. An expenditure of \$6.3 billion was announced to address climate change, but over a longer period ending in 2012. The \$1.6 billion

amount I referred to is money that had in fact been expended by the end of fiscal year 2003-2004.

You cannot compare the two amounts since they do not cover the same period.

**Mr. Luc Harvey:** No, but the reason I asked that question was precisely to— So, of the \$6.3 billion, \$1.6 billion has been invested thus far.

**Ms. Johanne G  linas:** No, not up until the present. I'm saying that until March 2004, \$1.6 billion had been spent.

**Mr. Luc Harvey:** And what are we at now? Do you know?

**Ms. Johanne G  linas:** No, I don't, and neither will you as long as the infamous system with respect to which I am asking for clarification is not in place.

I am disappointed that the Treasury Board and Environment Canada are incapable of giving you some feedback on what has been done in the last six months. That's where the whole question of accountability comes in. We won't know as long as that system is not in place.

**Mr. Luc Harvey:** All right. That's fine.

At the present time, Canada has to reduce its emissions by 270 million tons. Is that Canada's target under the Kyoto Protocol?

**Ms. Johanne G  linas:** Yes, 270 million tons by 2012.

**Mr. Luc Harvey:** All right.

Now, you said in your report that we can reduce emissions here in Canada by no more than 100 megatons, and that we will have to buy the other 170 to 200 megatons. Is that what you said?

**Ms. Johanne G  linas:** No, that is not what I said. I said that, according to the structure of the plan presented by the previous government, the Green Project, a significant amount of that reduction—some 50%—would have to be made here in Canada, and that for the rest, we would have to buy credits.

I never said how the credits would have to be bought, because the government itself had not ascertained the difference between the reductions to be made in Canada and those that would not be made in Canada. And the fact is that we still don't know that.

**Mr. Luc Harvey:** But we could say it's about 50% of 270 megatons. If I do the arithmetic, that means 135 megatons.

**Ms. Johanne G  linas:** That is close to the figure laid out in the plan that was presented.

**Mr. Luc Harvey:** Ms. Donnelly, what do you think of the idea of buying 135 megatons of credits abroad? Is that realistic? Is it feasible? Right now, the figures do not add up.

[English]

**Ms. Aldyen Donnelly:** The two questions are these: first, can it; and second, should we do it?

We just went through the numbers, and as Matthew Bramley said, the amount of credits available when I drop hot air out is 1.2 billion to 1.5 billion in total over the five-year budget period. So if I take 1.5 and divide it by 5, that means 300 million a year. So when you're positing that we might go out and buy 135 million tonnes, you're positing that Canada can secure the lion's share of the total supply out there, and I can't see a way to do that. So 135 million tonnes is higher than I think is conceivably possible, if we wanted to do it. That's the first thing.

The second thing is that in that supply that's out there, which I just gave you the numbers on, the real difficult part is that, in my view, last year the CDM/JI board made a very critical mistake in decision-making in that they agreed to issue credits to developing nation manufacturers who make HCFC-22. It's a refrigerant that, after CFCs, is the most potent ozone-depleting substance and it is a highly potent greenhouse gas. So when you make HCFC-22 and sell it, you are discharging an ozone-depleting substance and greenhouse gas into the environment.

It is illegal to make HCFC-22 in Canada. As of January 1, 2010, under existing law it will be illegal for us to import it, because we consider it a most damaging substance. To date, 51% of all of the credits that the CDM/JI board has approved are credits that are being issued to those plants. The U.S. EPA estimates that the effect of that one decision to issue credits to those plants completely wipes out all of the benefits of the Montreal Protocol by 2020 and adds 3 billion tonnes of greenhouse gases to the upper atmosphere that would not have been emitted in the absence of that decision.

Before that decision, the average HCFC-22 manufacturer made a before-tax profit of \$500 U.S. a tonne. After that decision, his before-tax profit jumped to \$2,600. There's nothing you can manufacture in the world more profitably because of that one decision.

So when I'm saying we're going to go out there and pick up 91 million tonnes, I'm saying we're going to go pick up 91 million tonnes and 50% of them are going to be us giving money to plants that are making a product we have already deemed so dangerous it's illegal to make or import into Canada.

•(1045)

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

Mr. Lussier.

[Translation]

**Mr. Marcel Lussier (Brossard—La Prairie, BQ):** Thank you, Mr. Chairman.

Last week, I believe, we heard from a climatologist who told us that atmospheric emissions produced 20 years ago could be the cause of climate change today.

Mr. Guilbeault, I noticed that you reacted quite strongly to some of Ms. Donnelly's assertions. What do you think of that theory? I'd

like to hear from Ms. Donnelly as well, once Mr. Guilbeault has responded.

Could emissions produced 20 years ago be having an effect today? And if we delay reducing emissions, could that result in sudden climate changes in the next few years?

**Mr. Steven Guilbeault:** CO<sub>2</sub> is a greenhouse gas that can remain in the atmosphere for several decades. So, the climate change we are witnessing today is the result of the greenhouse gas emissions produced several decades ago.

I want to repeat that I am not a scientist. On the other hand, I can tell you what the scientific studies say about that. And here I'm not talking about opinions published in the newspapers, but of scientific papers—in other words, scientific articles published in periodicals that have a reading committee, like *Science & Nature*, and many others. The consensus is that the longer we delay lowering greenhouse gas emissions, the worse the environmental legacy we will leave to our children and grandchildren. And ultimately, we are dumping the problem in their backyard. We are basically washing our hands of the whole issue.

**Mr. Marcel Lussier:** Ms. Donnelly, would you like to add something?

[English]

**Ms. Aldyen Donnelly:** I'm looking in my speaking notes. I'd like to direct you to page 11.

**The Chair:** It hasn't been translated yet, so everyone doesn't have your speaking notes.

**Ms. Aldyen Donnelly:** When you get my speaking notes, you'll see the World Resources Institute's estimate of 2000 emissions and forecast 2025 emissions by country or trading bloc. Behind this graph is the assumption that everyone in the Kyoto Protocol, including Canada, completely complies with the Kyoto Protocol commitments. On the basis of that assumption, the EU Kyoto-covered countries' emissions in 2025 will be 19% above what they were in 2000, and Japan's emissions in 2025 will be 20% above 2000, assuming Japan complies with Kyoto. This is the World Resources Institute, and it's good research.

I go back to my beginning. I have worked on climate change since 1989. I am old, and I am Canada's oldest, longest-standing advocate of market measures. We'll send another piece, which is the suite of measures we recommend. I'm arguing that this graph tells you the Kyoto Protocol isn't it. It tells you that. I'm not saying don't reduce emissions, don't have binding targets, don't get serious. I am saying the opposite. I am saying this is an emergency, and the Kyoto Protocol isn't it.

•(1050)

[Translation]

**Mr. Bernard Bigras:** I'm going to give Ms. Donnelly a chance to rest, because I have the feeling this is letting Mr. Alvarez just sit around. So I'm going to ask him a question.

I'm looking at the figures and—correct me if I'm wrong—the oil and gas industry, according to estimates, will emit more than 144 megatons of greenhouse gases in 2010, which is an increase of 99% over 1999. The government of Alberta is predicting massive development of the tar sands, which could bring greenhouse gas emissions in that industry to 230 megatons by 2030, which would be a 280% increase over 1990.

You surely have development plans that set targets for your industry. That's perfectly normal, because all industry sectors do that. What reduction target has your industry set in terms of greenhouse gas emissions?

[English]

**Mr. Pierre Alvarez:** You need to look at this in two or three perspectives.

To start with, are companies reducing their intensity on an annual basis? Yes, they are. We have been able to see significant changes on that. That's number one.

Second, in the short term what do we see? We see continuing annual intensity improvement targets. We agreed with the previous government that we were prepared to live with those, and once the government brings its plans forward, we will continue to do that. So we will meet our obligations on that front.

When you look at the longer term, it comes down to two particular issues. One is, how do we manage carbon? This is a question of carbon capture and storage that affects not only us but manufacturers across the country, and the power industry in particular. Second, in the longer term, what are the energy sources that allow us to reduce those numbers you've talked about from a step change point of view?

In my discussion of my paper today, I talked about different types of technology. We have to have the nuclear discussion. A number of them are out there, so you have to look at this. Very short term, you have to start reducing the rate of growth. Medium term, we have to start managing it. Long term, we have to turn it down. But the technology is not there yet.

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

Perhaps we could go to Mr. Vellacott, and then I would like to end with Mr. Cullen. Let's keep it as brief and concise as we can, please.

**Mr. Maurice Vellacott (Saskatoon—Wanuskewin, CPC):** Because I have this limit of five minutes, I want some yes/no answers. My first couple of questions I'm going to direct to Ms. Donnelly and Mr. Alvarez.

The initial question is this. The Commissioner of the Environment recently stated she could find no evidence of analysis supporting Kyoto's minus 6% commitment. I would ask you, as I've asked previous witnesses, can you point to any specific scientific research that would lead Canada to adopt that minus 6% target specifically?

**Ms. Aldyen Donnelly:** I can't tell you what the Government of Canada was looking at.

I would maybe refer you to Mike Cleland's testimony to this committee on November 21. In 1996, 1997, and 1998, Mike Cleland was an assistant deputy minister in Natural Resources Canada. He

had shared executive responsibility for the Kyoto file. I think his testimony is quite unambiguous.

**Mr. Maurice Vellacott:** Just for the record here, what did he state?

**Ms. Aldyen Donnelly:** I thought he said there was no analysis done.

**Mr. Maurice Vellacott:** Okay.

Mr. Alvarez, are you aware of anything in the way of scientific analysis or research that would lead to Canada adopting a minus 6% target?

**Mr. Pierre Alvarez:** No.

**Mr. Maurice Vellacott:** My next question, then, I'll direct to Ms. Donnelly.

In your perspective, is there any difference between Bill C-288 and the previous Liberal plan? Could you give me some summary?

**Ms. Aldyen Donnelly:** There is, absolutely. If you're in industry and you're trying to figure out where government thinks it wants to go—which is quite an exercise—what you would be doing today is comparing the July 2005 Liberal notice to regulate to the Conservative notice to regulate. You're probably not paying any attention whatsoever to either Bill C-288 or Bill C-30.

I'm an exception to the rule. For ten years, every time we've done a project, I have been compiling a recommended package of government regulations and measures.

It happens that the package I would be a proponent of right now needs Bill C-288 to be passed...I'm sorry, I mean that it needs Bill C-30 to be passed. Bill C-288 is irrelevant, except that every time government debates Kyoto, government is not sitting down and saying what our target is going to be. So if you're seeing a continuation of the Kyoto debate, as opposed to moving on to what we are going to do, industry takes that as a delay.

●(1055)

**Mr. Maurice Vellacott:** Am I correct in saying you don't see a significant difference, then, between Bill C-288 and the previous Liberal plan? I mean, it's an extension, an emphasis.

**Ms. Aldyen Donnelly:** Bill C-288 doesn't add or subtract anything.

**Mr. Maurice Vellacott:** Okay.

Would you agree with one of our Liberal committee members—

**Ms. Aldyen Donnelly:** Oh, and I should say that the previous Liberal plan does not achieve Kyoto compliance.

**Mr. Maurice Vellacott:** Right. And with Bill C-288, do you see any significant difference between the previous Liberal plan and Bill C-288?

**Ms. Aldyen Donnelly:** The reason I just corrected myself is that it depends on how you interpret Bill C-288. If Bill C-288 legally binds government to Kyoto compliance, the Liberal plan doesn't get you there. Again, you're not there. If it's a best efforts deal, it's irrelevant. If it binds government, the Liberal plan doesn't work either.

**Mr. Maurice Vellacott:** You're saying you would prefer Bill C-30.

**Ms. Aldyen Donnelly:** Bill C-30 gives me elements I need to have the kind of policy—But it doesn't give you everything you need. It's incomplete.

**Mr. Maurice Vellacott:** One of our Liberal committee members, Mr. John Godfrey, has spoken about having to recalibrate—I guess that maybe means something different from Bill C-288—the Kyoto targets. Would you say the need for a major recalibration is a fair comment?

**Ms. Aldyen Donnelly:** I think Canada has to decide whether Kyoto is legally binding. I don't know what the decision on that is. Recalibration is not an option if it's legally binding. The Kyoto Protocol doesn't say hit this target when you can; it says hit this target by this timetable. The penalty in the protocol for not hitting the target is 30%. If you did the straight economics and said it's legally binding and you have to do it, you would not elect to take the penalty. That's a 9% per annum compounded interest charge.

**Mr. Maurice Vellacott:** This is a question for Mr. Alvarez.

How long does it take to develop and implement some of these technologies that are necessary in order to do a reduction in greenhouse gases?

**Mr. Pierre Alvarez:** I think it depends on which one you're talking about. Last week Shell announced a major new technology for its upgrading process, which I think has something like a 10% reduction on the heat use. That was a four- or five-year project. Some can happen fairly quickly; some are very long term. A carbon capture storage project can take a while. When you look at the big step changes, we may be talking decades.

**Mr. Maurice Vellacott:** How long for a carbon sequestration project?

**Mr. Pierre Alvarez:** With respect to captured storage, when you look at the Saskatchewan project, which includes EnCana and Weyburn, from initial thought to getting CO<sub>2</sub> in the ground, it was probably five years.

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

Mr. Cullen, please be very succinct. Our time is just about up.

**Mr. Nathan Cullen:** I have a question for Mr. Guilbeault.

During the Nairobi conference, the French talked about the possible imposition of some sort of carbon tax. Is this mere speculation? Is it serious? Are there other European partners who have contemplated something similar? This would be a tax—and I think they named Canada specifically—imposed on all imported products regardless of whether carbon was involved. How serious is this?

**Mr. Steven Guilbeault:** It was Prime Minister Raffarin who made a public statement at the time of the Nairobi conference, saying that one of the things the French government was looking at was imposing a tax on annex 1 countries who either didn't take on Kyoto commitments, which would be Australia and the U.S., or countries like Canada who have Kyoto commitments but have turned their backs on it. It was the first time I heard about it. Some colleagues in France had been hearing about it for a little while. Where this will go in terms of the European Union and member states we don't know yet, to be quite honest with you.

**The Chair:** Ms. Donnelly.

**Ms. Aldyen Donnelly:** This is very serious and it is not new. The Japanese DEIP passed into law the regulation that authorizes their customs and excise to tax all products imported from a country that has either failed to ratify the Kyoto Protocol or failed to keep its Kyoto commitments. Under world trade laws, those sanctions are permitted. In fact, it was the ability to first of all score an excess quota supply and then sanction exports from countries that have short quota supplies. It was that strategic goal that the EU and Japan and initially the United States were always going for in the creation of the Kyoto Protocol, which is one of the reasons we have to move on. It's an unfair, very protectionist trade treaty, very well architected. The principal architect was the deputy treasurer of the United States. It effects a transfer of wealth from energy and food exporting nations to energy and food importing nations, by definition, as it was designed to do.

• (1100)

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

I'd like to thank our witnesses very much. I thank those on the screen, and all of you, for attending.

I would remind members as well that we need to get any amendments in as soon as possible. You need to release them to the clerk so we can distribute them to all members in order for us to have them prior to clause-by-clause examination on Thursday. Thank you.

This meeting is adjourned.





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