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# **Standing Committee on Environment and Sustainable Development**

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**EVIDENCE**

**Tuesday, November 27, 2007**

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**Chair**

**Mr. Bob Mills**

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## Standing Committee on Environment and Sustainable Development

Tuesday, November 27, 2007

• (1530)

[Translation]

**The Vice-Chair (Hon. Geoff Regan (Halifax West, Lib.)):** Colleagues, welcome to this meeting of the House of Commons Standing Committee on Environment and Sustainable Development.

[English]

This meeting has been called pursuant to Standing Order 108(2) on the study of Canada's position in advance of the United Nations Climate Change Conference to be held in Bali next week.

First of all, I want to welcome our witnesses today, and I'm going to introduce them. From the International Institute for Sustainable Development, we have John Drexhage, who is the director of climate change and energy. From the Greenhouse Emissions Management Consortium, we have Aldyen Donnelly, the president. From the Pembina Institute, we have Matthew Bramley, the director of climate change. And from the Canadian Youth Climate Coalition, we have Barbara Hayes, national director.

Welcome to you all, and thank you for coming here today.

[Translation]

I propose that we start by allowing each presenter seven minutes. The time normally allowed is 10 minutes, but, in view of the fact that we have four guests, that would take 40 minutes.

Do you agree that each person should have seven minutes to make his or her presentation? Is that acceptable? Yes?

[English]

**An hon. member:** Can you explain that again, please?

**The Vice-Chair (Hon. Geoff Regan):** Yes, I will.

The clerk has suggested to me that we ask the speakers to take seven minutes each for their presentations, allowing, therefore, more time for questions and answers. Normally we would do 10 minutes, and of course that could take 40 minutes with four speakers. So that's why this has been proposed to me, but only if it's acceptable to members of the committee.

Is that okay? Fine.

Then I'll ask each of you to make a presentation, if you would. We'll let you know when we're close to seven minutes and give you a little bit of warning.

Why don't we start with Ms. Donnelly.

**Ms. Aldyen Donnelly (President, Greenhouse Emissions Management Consortium):** First of all, thank you for inviting me to comment on the role that Canadian negotiators might play in the upcoming meeting in Bali.

I want to state my support for Prime Minister Harper's position, at least as I understand it, that the world does not need another international protocol that binds only a minority of the world's emitters to absolute greenhouse gas emission caps. I don't think the question is whether we need an international treaty on climate change—we do—the question is what shape the next generation of the Kyoto Protocol must take to address this global crisis.

I'd like to look to history to answer this question. All nations, developed and developing, have previously accepted, and so far complied with, binding national obligations to eliminate whole product lines and industries in a process designed to address a global environmental disaster. They did this to stop the erosion of the ozone layer under the international treaty construct known as the Montreal Protocol. The developed nations accepted the obligation to act first, as the developing nations have asked us to do in the greenhouse gas context. Developing nations agreed to binding targets without the promise of hot air credits, which is one of our stumbling blocks right now in the Kyoto context. As far as I know, all the parties have complied with their commitments under the Montreal Protocol, in spite of the fact that in the 1980s, when all the parties signed on, its driving objective was 70 years into the future. The Montreal Protocol belies the assertion that having a long-term target is an impossible objective to work with.

In the media and elsewhere, we periodically hear the Kyoto Protocol described as similar to, or modelled on, the Montreal Protocol. This characterization of the Kyoto Protocol is dangerously inaccurate. Structurally and procedurally, the two treaties could not be more different. If I were allowed to offer only one piece of guidance to Canada's negotiators, it would be to study the Montreal Protocol and figure out why it has been effective. I think the reasons for its effectiveness jump off the pages if you stare at them long enough. You should develop greenhouse gas equivalents of the essential elements of the Montreal Protocol and then pull every trick out of your negotiator handbook to encourage the parties to the Kyoto Protocol to entertain inclusion of these strategies in the Kyoto toolbox. The Montreal Protocol does not impose a quota-based supply management system on the parties.

The Kyoto negotiators have introduced elements of the U.S. acid rain program into the Kyoto construct, which elements do not appear in the Montreal Protocol. I think that's proving to be one of the great structural issues in the Kyoto Protocol. We may or may not talk more about that in your question period.

One primary reason that the Montreal Protocol has been so successful is because it directly creates demand for new sustainable products by regulating the sale—I underline sale—of the production of substances that on consumption create ozone-depleting gases. The drafters of the Montreal Protocol somehow understood that their primary objective had to put a global mechanism in place that would facilitate an orderly but highly accelerated capital stock turnover in the industries they were trying to affect. Meanwhile, in Kyoto, we keep going to meetings where people talk about trying to build the protocol around the existing capital stock turnover rate. The objective should be to implement actions that accelerate the stock turnover rate.

The key that the Kyoto negotiators need to shift to is easiest to illustrate with the ultra-low sulphur diesel regulation that was passed across North America last year. Last year, all over North America, we passed regulations that had a number of elements. The key elements were these. The first element says that after a certain date, which was last fall, you cannot sell high-sulphur diesel in North America. The second element says that after a certain date, which was four months prior to that date last year, you may not make high-sulphur diesel in North America.

With the Kyoto construct, in every domestic emission regulation that has been proposed in Canada to date, we have been saying to industry, "We're going to make you phase out the making of it, but we're not giving you the security of a prohibition on the sale of high greenhouse gas products."

• (1535)

Every attempt we've made in the past that was successful at managing products out of our value chain started with regulating what can be sold, and only by first regulating what can be sold can we create the foundation that enables us to regulate what can be made.

If we, in our sulphur diesel regulation had said we're going to tell you that you can't make a high-sulphur diesel in Canada anymore, but we're not going to make any statement about what can be sold here, then all the refiners would have shut down their plants and supplied high-sulphur diesel into Canada from offshore. The fact is, when we gave them the protection of a made market for low-sulphur diesel, the average refiner spent \$500 million per plant upgrading and retooling to make the more environmentally sustainable product.

I think it's essential that our negotiators go to Kyoto and, starting with the existing Kyoto construct, ask how we start to build the 10 essential product standards that make the market for the new products we want to see developed in our country and globally.

I'll stop there for now.

• (1540)

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much.

Mr. Drexhage.

**Mr. John Drexhage (Director, Climate Change and Energy, International Institute for Sustainable Development):** Thank you very much, Chair.

I appreciate the opportunity to speak to members of the committee on the upcoming international negotiations on climate change at Bali.

First of all, while I'm aware that you heard from some eminent experts on the results of the IPCC's fourth assessment report last week, I would like to highlight some of the conclusions that are particularly relevant to the UN negotiations. It is also important to keep in mind the kind of role the IPCC played in the history of these negotiations. The first assessment report set the stage for the Framework Convention on Climate Change; the second report provided critical momentum towards the development of the Kyoto Protocol; and the third was released just prior to the protocol coming into force.

What specifically does the fourth assessment report contribute? In my view, some of the more critical conclusions are the following.

Evidence of global warming is now deemed as unequivocal.

The contribution of human activities to climate change is now deemed as 90% certain. This colossal environmental phenomenon is already deemed to have irreversible impacts under a 1.5-degree to 2.5-degree change. We're already locked into that sort of change. We're looking at global species at risk of 20% to 30%. Under a 3.5-degree change, which will require some very serious work on our part to keep it there, we're talking about 40% to 70% of our species being at risk. At risk of what? Extinction. We're not just talking about the plight of a few cute animals here. This has grave implications for human well-being. The vast majority of our crops depend on pollinators for germination. Microbes play a critical role in ensuring safe drinking water. Disrupt these ecological systems and you run the real risk of upsetting basic food chains that we all rely on.

Despite these grim conclusions, the report also states that there are many affordable actions available to reverse current emission trends, but that the price we place on carbon emissions will play a critical role in determining their range and depth.

The magnitude of the challenge we face in reducing our emissions is underscored by a recently released study by the International Energy Agency in its *World Energy Outlook 2007*. In particular, the expected rate of growth in developing country giants, particularly China and India, presents a challenge, the scale of which we have never faced. China will have become the world's number one greenhouse gas emitter this year. As little as five years ago we didn't think that would happen until 2020. India will be the third largest by 2015. To give you an idea of what I am talking about, from now to 2030, China is forecasted to install more electricity-generating capacity than currently exists in the United States. This is due to phenomenal economic growth taking place there, but it must be recognized that this is entirely justifiable. Fully 400 million people, for example, in India still do not have direct access to electricity.

Despite this growth, per capita emissions in those countries pale in comparison with North America. In that respect, Canada and the U. S., along with Australia, are in a completely different league from the rest of the world, with at least two times more emissions per capita than Europeans, four times the rate of those in China, and at least a full five to six times more than the average Indian.

The fourth assessment report also examined the effectiveness of the current international regime in addressing climate change. It rightly, in my view, concludes that the Kyoto Protocol played a critical role in laying the basis for a global response to the real threat of climate change. When it comes to the Kyoto Protocol, everyone's attention, particularly at the political level and with the media, is on the issue of targets.

Unfortunately, this tends to take away attention from where the protocol's real contribution lies. It placed a value on carbon and, by doing so, initiated a rapidly growing financial portfolio supporting clean energy investments worldwide from \$27.5 billion U.S. in 2004 to over \$100 billion U.S. this year, with a percentage increase in the hundreds. It established a set of rules and guidelines around climate change that frame the institutional accounting of greenhouse gas emissions, and it also stimulated a vast array of national responses to climate change in developing and developed countries, including in countries such as the United States and Australia, which did not choose to ratify the protocol.

• (1545)

What do all these lessons mean for Bali? It is clear that we simply cannot meet the environmental imperative of avoiding human interference with the globe's climate system without engaging all major emitters, but the lead must lie with developed countries who are most responsible for the current greenhouse gas concentrations in the atmosphere and who, because of their relatively stable and prosperous social and economic conditions, are most able to take more aggressive actions.

In my view, this is particularly the case for North America, which, in terms of greenhouse gas emissions per capita, can accurately be described as a pariah when compared with the rest of the world. However, it also means that the terms set out in the Berlin mandate, which established the framework for the Kyoto Protocol negotiations some 12 years ago, are not set in stone. In particular, we cannot have a provision in a Bali mandate that reaffirms no additional commitments for developing countries. That said, this should not

stop this government from agreeing to terms that require developed countries to take the lead in taking on binding, more stringent reduction commitments.

In fact, I would like to remind this committee that Canada, like all other Kyoto parties, has already accepted such conditions in a set of negotiations in which it is currently engaged. I am referring to the ad hoc working group on further commitments for annex one parties under the Kyoto Protocol. The negotiating process was launched at the Montreal conference two years ago and has been going on since then with, I stress, active Canadian government participation.

In the context of the Bali mandate, what is important is keeping the door open to include all major emitters. What I am proposing would provide the Canadian government with the space to precisely continue such discussions over the next two years.

As Aldyen has already mentioned, remember the real achievement of the Montreal Protocol. It successfully achieved commitments on the part of all our parties, but under a graduated scheme, giving developing countries ample time to adjust to these new global environmental prerogatives.

Why were parties able to be successful? First, developed countries not only took the lead in taking on commitments, but they also met and exceeded those targets. Secondly, and as important, if not more—which Aldyen didn't mention—is the success of the Montreal Protocol's multilateral fund in establishing a transparent and effective financing mechanism to help developing countries meet their commitments.

I would suggest we have much to learn from that Montreal Protocol experience. We have to show that Canada and all developed countries are putting serious regulatory frameworks and market signals in place. It also means that governments have to become more focused on how Canada can play its part in helping developing countries make the urgent and necessary transitions they will need to make in the face of climate change, both with respect to mitigation and adaptation.

**The Vice-Chair (Hon. Geoff Regan):** You have one more minute.

**Mr. John Drexhage:** We need to look at the strategies of the World Bank and other major aid agencies in how they're integrating climate change.

One final word. Keep in mind the relatively modest objective of the Bali mandate. We are talking about setting in motion a negotiating process for post-2012 that will, hopefully, be concluded in 2009, and it's important to demonstrate flexibility in that spirit.

Thank you.

**The Vice-Chair (Hon. Geoff Regan):** Actually, Ms. Donnelly was a little short, so we're now about even. Thank you.

Ms. Hayes.

**Ms. Barbara Hayes (National Director, Canadian Youth Climate Coalition):** The committee may not be aware, but Canadian youth have had an impressive if informal history with the UN negotiations. From five youth at COP-6 in The Hague to the current youth delegation to Bali of 32, complete with logo, the Canadian youth movement, and indeed youth globally, has long recognized the importance of making the negotiations comprehensible and accessible to youth.

The reason youth have been so active is that although we are the largest effective constituency, we are not party to the UN negotiations. Spanning all countries, all emitters large and small, youth are inheriting a changed climate they haven't created.

Approximately 20% of the Canadian population is under the age of 18 and has no voting rights and no representation either domestically or as part of the international process. If a real negotiating mandate, including absolute targets and hard caps, is not achieved coming out of Bali, then these youth must shortly be counted among the growing number of people directly affected by projected climate impacts.

You do not have the right to make this decision for us. You must hear us. We are not given a say in this matter, so we are taking the microphone anyway. A year ago, at the age of 22, I helped to found the Canadian Youth Climate Coalition because with the levels of climate change we have already caused, I will spend the rest of my life dealing with adaptation and mitigation to a changed climate. It's a given.

The Canada of my adulthood will be fundamentally different from the current one as a result of global emissions. I do this work now as a young person because I don't want the global climate to be my daily concern when I am 40. My generation deserves a stable climate, and we deserve some peace of mind.

Ours is a future of fewer possibilities if Canada does not embrace and vigorously work to reach mandatory hard caps. My generation needs progress at the Bali negotiations to ensure that we have the opportunity to be participants in a strong and vibrant Canada.

My current view of the future holds fewer cultural and economic possibilities, the rapid spread of new diseases, increased incidents of extreme weather events, destabilized global politics, and hundreds of thousands of displaced persons.

Since the government has abandoned our Kyoto targets, we can no longer trust that our leaders are acting with our best interests at heart. We are now accustomed to being ashamed of our country's poor behaviour. The obstructionism we saw at the Commonwealth meeting is sadly no longer surprising. Canadian youth were present at the UN climate meetings in New York, Bonn, and Vienna this summer. We watched our government betray our future and our good name simultaneously.

It is unbelievable that hiding behind developing nations and watering down international commitments is being characterized as strong foreign policy. Undermining a clear, necessary, and internationally agreed upon treaty in favour of vague aspirational goals is frankly a failure of leadership.

The goals, even the legislative tools, are here, and still the government refuses to act. Watching the government try to wiggle out of the Kyoto implementation act has been gut-wrenching—

• (1550)

**The Vice-Chair (Hon. Geoff Regan):** We're going to ask you to slow down a little bit for the interpreters, please. Thank you very much.

**Ms. Barbara Hayes:** Sorry.

The first step to reducing our emissions is actually to attempt to reduce our emissions. In order to reduce our emissions by the amount necessary, Bali must lead to a plan with firm reduction goals, strict penalties for violators, and a clearcut deadline for these changes.

We are not saying this is an easy task, but we are saying it is both necessary and achievable. It can't be the economic argument that prevents the government from taking action. It is a false and frankly increasingly dishonest choice. The Stern report on climate change estimated the global cost of runaway climate change could surmount the cost of the two world wars combined, crippling global GDP by 20%. He further estimated that acting to avoid the worst impacts of climate change would be only 1% to 3% of global GDP.

The longer you wait, the more it will cost us, and the less likely we are to adjust in time for Canada's industrial sector to take leadership. So to the current government's legacy of global destabilization and health crises and ecological devastation, you must add crippling economic depression.

Climate change is not just an environmental issue. When farmers' crops fail from unnatural droughts, it is a livelihood issue. When our grandparents die from heat waves, it is a health issue. When the animals people traditionally hunt are no longer there, this is a survival issue. When failing to act opens up the Northwest Passage, this is a sovereignty issue. When children can no longer play hockey on outdoor rinks, this is a cultural issue. When I lose my job because industry failed to adapt to a changing world, this is an economic issue.

These were the words of the 40 organizations that came together to address the leadership failure on climate change by forming the Canadian Youth Climate Coalition. We are not being fooled by the doublespeak, and we are stepping up to let our leaders know that the words are not a substitute for action. In at least 20 cities across the country, big and small, people are mobilizing for the International Day of Climate Action on December 8 to protest our government's shameful inaction and demand a real mandate for Bali.

This government will not be around to be held accountable for the worst effects of climate change. But 30 years down the road, when Canada has become a haven for climate refugees, they will look to me and my peers, the current youth of our rich industrialized and polluting nation, and say, "Why did you let this happen?"

So I'm asking you now, "With everything we know and all the tools you have, why are you letting this happen?"

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Ms. Hayes.

Mr. Bramley.

**Mr. Matthew Bramley (Director, Climate Change, Pembina Institute):** Thank you very much.

I hope everyone has received a copy of the submission we sent in a few days ago.

Before I get into substance, I would like to make clear that the Pembina Institute, which I'm representing today, is a strictly nonpartisan organization. We always try to comment fairly and objectively on policies and on policy proposals. We are often asked for input by politicians and by political parties, but we do not write documents that are published by political parties.

On the substance, the objective of the Bali conference—probably for the majority of the people involved and certainly the environmental community—is to adopt a negotiating mandate on a post-2012 global greenhouse gas reduction regime that will be negotiated with a deadline of 2009. It will include a series of elements that provide sufficient confidence that the world will be on a track to the scale of emission reductions that the scientific analysis has shown are needed to prevent dangerous climate change.

There are a number of key elements that the Climate Action Network International—which is the umbrella for environmental NGOs participating in the UN process—would like to see in the Bali mandate. I'm not going to list all those elements immediately. Most of them are in my submission.

I would note that they do include both stronger absolute emission reduction targets for industrialized countries such as Canada, but also deeper participation post-2012, including quantified commitments by rapidly developing countries such as China, India, and Brazil. These aren't absolute emission reduction targets of the kind that Canada should continue to have, but nonetheless, these are quantified commitments that represent a significant bending of the emissions curve relative to business as usual. I'll come back to that point in a moment.

Clearly, the Bali conference is extraordinarily important. We always say that these UN conferences are important. This one I think is a little bit unique. The scientific message that has been delivered this year in the IPCC's fourth assessment report, as John mentioned, is extraordinarily clear and concerning. I don't think this issue has ever had the public profile it enjoys at the moment. And frankly, time is running out for negotiations. The reason why 2009, as an end date, is so important for the Bali mandate is that we need to ensure that enough time is available for countries to ratify the post-2012 agreement once it's adopted.

It actually took I think eight years for the Kyoto Protocol to receive enough ratifications to enter into force. Three years between 2009 and 2012 is not very much time to allow that to happen, and we must avoid a vacuum in the international legal arrangements after 2012.

I'd also cite the UN Secretary-General, who recently, speaking of his expectations for Bali, said the following, and I quote:

I need a political answer. This is an emergency, and for emergency situations we need emergency action.

Moving on to Canada's position going into Bali, I'd like to highlight three ambiguities—certainly in the statements the government has made publicly—that I think are a concern and need to be resolved as quickly as possible.

First of all, the government has to date avoided taking a position on the question of a two degrees Celsius global warming limit relative to pre-industrial levels. This is a limit that enjoys wide support among both scientists and among governments. Today's United Nations development program report also endorsed a two degrees Celsius limit. I think the Government of Canada needs to state what it considers to be a maximum acceptable amount of global warming that would allow us to avoid dangerous human interference in the climate system, according to the objective of the UN framework convention.

• (1555)

A second ambiguity has to do with the global emission reductions that Canada wants to see. The Prime Minister has a number of times referred to a halving of global emissions by 2050, but the government has not to date stated a base year for those reductions. The reduction in emissions is, strictly speaking, meaningless if it is stated without saying a reduction below what.

A third ambiguity is a question that has been in the media the last couple of days: how global emission reductions should be shared out amongst categories of countries. As John emphasized, there are very wide disparities between different categories of countries.

If you compare a country like Canada with countries like China and India, if you look at per capita emissions, per capita GDP, historical responsibility, there are enormous disparities, roughly five times higher emissions per person, roughly five times higher GDP per person in Canada compared to a country like China. So, clearly, there's a need for Canada, going into these negotiations, to accept that it is not realistic or fair to insist that countries like China or India take on the same types of commitments in the immediate post-2012 period.

• (1600)

**The Vice-Chair (Hon. Geoff Regan):** Mr. Bramley, we're up to eleven and a half minutes. I'm sure you'll have a chance during answers to questions to add more of that, if you don't mind, because we've gone well over the seven-minute point.

**Mr. Matthew Bramley:** Can I wrap up in 20 seconds?

**The Vice-Chair (Hon. Geoff Regan):** Twenty seconds.

**Mr. Matthew Bramley:** Thank you.

Going in to Bali, I think there are serious questions over Canada's level of ambition. The government's attitude to the first phase of Kyoto, the ambiguity over two degrees, the government's targets, the government's 2020 targets in particular, we've compared in our submission to targets taken on by other governments in the industrialized world, compared to the scientific analysis. So I think Bali provides an unparalleled opportunity for Canada to announce a willingness to move to stronger targets and stronger policies to meet them, but if this doesn't happen, Canada will certainly negotiate from a position of weakness.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Bramley and all the witnesses.

We'll now start with questions, with 10 minutes per party for the first round, starting with Mr. McGuinty.

**Mr. David McGuinty (Ottawa South, Lib.):** Thanks, Mr. Chairman. Thank you for coming, witnesses.

That was a good point to finish on, Mr. Bramley. I'd like to pick up on a couple of the points you've made. A few other folks have made these comments, but I want to preface my remarks, if I could, with this. We're going to have the minister join us on Thursday and present to this committee and to Canadians what we intend to do in Bali, because we have no idea. All we know is that the minister is holding a private briefing session and a meeting for some people in Bali to explore his "Turning the Corner" plan. I want to put to you, if I could, just a couple of concerns we have about the plan, which is going to be presented in the international setting.

Here is my first concern. Just today, the World Wildlife Fund, in a piece commissioned through the Tyndall Centre for Climate Change Research in the U.K., released a major report that absolutely slams the government's plan, saying there's no way it's going to achieve 20% cuts by 2020. In fact, the Government of Canada will be subsidizing the expansion of the oil sands.

The National Round Table on the Environment and the Economy, which has examined the government's plans, has said the government has likely overestimated the greenhouse gas reductions or did not provide enough evidence to allow the round table to perform an analysis.

The government's own National Energy Board concluded that the government's plan is insufficient to meet the targets it sets. In fact, says the National Energy Board and a whole bunch of independent commissioners there, under two of the three scenarios laid out by the board, greenhouse gas emissions will continue to rise—*increase*—under the government's plan.

Deutsche Bank has said Canada is failing to participate in the international trading market and has said we will not achieve our targets. The C.D. Howe Institute doesn't believe the numbers. Pembina has produced a report that says there are at least eight gaps in the plan. This has not been denied by senior officials in the three line departments with responsibility for delivering the plan.

We could go on and on.

Today the UNDP issued a clarion call for the planet. It said that a functioning atmosphere is probably a question of human rights. It said it is a matter of social justice, and the poorest of the poor will

bear an inequitable amount of the pain and suffering that is forthcoming as we adapt to climate change.

All this while the Prime Minister says at international meetings that we're going to aspire sometime in the future to absolute cuts. The thing that's particularly egregious about that for me is that he said that in Uganda, in Africa, where I spent many years. In Uganda, the annual income is \$300 per person.

I want to put to you, if we're going to Bali and we're going to be sitting down with Joe Lieberman and his colleagues, with their bipartisan bill in the Senate that is very aggressive—certainly more aggressive than the plan put forward here by the government—and if we're going to be sitting down with the United Nations, the Chinese, the Indians, and rapidly emerging economies who are overtaking us in terms of emissions, does anybody on this panel really believe we're well prepared to talk to these individuals with credibility about bringing them into the fold?

Lastly, didn't the Kyoto Protocol contemplate perfectly what's happening now, that we would take these 24 months, this two-year period starting in Bali, go to the table with cleaner hands, and say to the rapidly industrializing world that we went first? We're not playing a game of chicken. We had to go first. We built our economies on the back of the atmosphere and now we're coming to you and saying, post-2012, that it's time to sign up. Are we really now in a good position to sit down, with credibility, with these 169 partners? It will soon be 171, I think, with Australia signing on next week. We'll be alone with the Republican administration in Washington, which is on the way out the door anyway. Are we well prepared here to go and sit down with credibility, given that our own plan has been completely eviscerated domestically?

Mr. Bramley, can you start?

• (1605)

**Mr. Matthew Bramley:** A section in my submission addresses the question of Canada's credibility and it contains some of the elements you mentioned. Certainly, a series of studies have attempted to assess the policies the government has announced to date to see whether they are strong enough to meet the 2020 target the government has laid out. I'm not aware of any that find the government has yet announced policies capable of meeting its own target.

I think Mark Jaccard's study for the C.D. Howe Institute is perhaps the most compelling. He found that under policies announced to date, Canada's emissions will remain indefinitely above current levels, according to his modelling.

I think another element affecting Canada's credibility is the question of saying what we want to get out of Bali. I'm not aware of a statement from the government that lists the elements it would like to see in a Bali mandate. I would contrast this, for example, with the European Union, which has published a list of the elements it thinks should be contained in the post-2012 agreement. There's a list of about eight elements in the council conclusions on climate change from the Environment Council on October 30.

Simply saying what Canada believes should be in the Bali mandate would be a step forward.



**Mr. David McGuinty:** May I ask, Mr. Drexhage, an additional question to consider in your answer?

It's understood, although the government continues to deny it, that the Kyoto Protocol has both what they call common and differentiated targets. It's understood that when we negotiated the Kyoto Protocol as a planet, because it is the only enforceable, the only comprehensive international agreement we have.... It's not this sideshow, this e-mail listserv called APAC. It's the only one we have.

Doesn't the agreement we have now, with common and differentiated targets, reflect the kinds of concerns you talked about. You talked about the fact that the rich countries probably should be going first.

**Mr. John Drexhage:** Yes, I agree that the rich countries should be going first and taking the lead. In fact, I really do wish that not only Canada but a number of other countries had been more aggressive in showing that leadership.

The problem we face right now.... I don't want to get into sort of different arguments about the extent to which Canada or any other country is credible. I would agree that if we had some kind of regulatory framework actually up and running for once, regardless of its stringency, that would be a nice first step of any kind. And that's my first concern. We continuously argue about what our target should be and how stringent we should be. That is all well and fine, and, yes, we need to become stringent, and a lot more quickly.

What has been so frustrating for me is the fact that there's been nothing yet put in place. I think that's the real danger. I mean, five or ten years ago I could see why we needed to start slowly, because we're talking about a huge intrusion into the economy. Let's face it, this is going to be a big shock. And we should, like the EU has done, have put in a nice mild system, some moderate allocations that would have helped to prime the pump.

The problem is that the fourth assessment report is reporting to us that time is running out. If, for example, as Matthew has indicated, we want the government to stay committed to a two degrees Celsius temperature change, we're talking about stabilizing global emissions in 15 years. There's no way you can reach two degrees Celsius without having China and India in that tent immediately, regardless. The atmosphere doesn't understand credibility; it doesn't understand equity.

I understand all these issues, and they're very important, and we have to take the lead on that, but at the same time, we have to keep in mind the very important environmental imperative.

The second thing I would point out is that while it recognized common but differentiated responsibilities, what I'm afraid may have happened under the Berlin mandate was an assumption by some of the developing countries, led by India, that provision 2 of article II, which states that developing countries will not take on any additional commitments, is set in stone. It can't be set in stone.

• (1610)

**Mr. David McGuinty:** Do you think, Mr. Drexhage, that if a country like Canada comes to the table and puts a pistol to the heads of China and India and says you go first, or we're not going at all...? Does anyone believe that this is how international negotiations are conducted?

**Mr. John Drexhage:** I completely agree with you. The fact that we, as a developed community, including Canada, haven't taken strong actions up to now has really hurt the prospects for being able to go constructively forward in further engaging major developing countries. There's no question that there's been an impact on that.

The question that then arises is how we try to deal with this quandary. I want to bring to you the sense of what some experts are saying now. Just a couple of weeks ago, a whole series of experts were invited to Harvard, including Tad Homer-Dixon, and they basically have already said the gambit's up and we've lost; we've blown it. What we have to really seriously now think about is some serious geo-engineering interference in the atmosphere. These aren't just kooks out there. These are really serious experts from around the globe who have now said that we've run so late on this thing that it may already be too late.

I'm being very frank here. Hence the quandary I find myself in. Yes, absolutely, we need to do more. But we can't do it at the expense of saying to India and China that they don't have to do anything again for another 15 years or so, because then the gambit is really up.

[Translation]

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Drexhage and Mr. McGuinty.

I now turn the floor over to Mr. Bigras.

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

First, welcome to the committee. I think we have to have this good discussion before leaving for Bali. Of course, we hope the government changes its mind and decides to invite the opposition. A diverse range of opinions should be expressed in Bali, particularly since there isn't a strong consensus against the Kyoto Protocol. A majority of the population support the Kyoto Protocol, and I think the Canadian delegation should be representative of that majority trend.

The report of the Intergovernmental Panel on Climate Change states that we should first stabilize our greenhouse gas emissions by 2015 if we want to avoid the worst. That is the first finding, and I think we agree on that. The second finding is that the two-degree policy, which would limit the average increase in temperature relative to the pre-industrial period, should be an objective, once again to avoid disaster.

The problem is how we should allocate the greenhouse gas reduction target both among the developing countries and among the industrialized countries. I was looking at the latest figures on per capita greenhouse gas emissions. I have those from China and from the United States. Per capita greenhouse gas emissions are approximately 20 tonnes in the United States compared to 2.3 tonnes in China. I believe they are approximately 25 tonnes in Canada.

As regards emissions and the historic contribution of the major regions of the world between 1990 and 2000, the United States and Europe alone total nearly 60% of emissions, compared to less than 8% for China. That said, that is not a reason for India and China not to act and for there not to be any reduction targets.

Doesn't the government's attitude in recent days, particularly that shown by the Prime Minister at the Commonwealth Summit, break a strong international consensus that there should be a common and differentiated approach in the fight against climate change? Without discussing the targets given to each of the countries, shouldn't the common and differentiated principles form the basis of the negotiations in Bali?

That's my first question.

**The Vice-Chair (Hon. Geoff Regan):** Are you putting your question to anyone in particular?

**Mr. Bernard Bigras:** No, but I would like a brief answer because I have other questions.

• (1615)

[English]

**Ms. Aldyen Donnelly:** I would argue that the answer is yes. The impasse we're facing right now is that many of us who have spent a long time in the Kyoto process are married to the objectives and the structure. In Bali, are you going to give up the objectives or the structure, because we're at an impasse and something has to give? We shouldn't give up on the objectives. We should strengthen the objectives, which means we have to look to a new structure.

In the Montreal Protocol we asked everyone in the world—developing nations—to bind to national emission limits. They said no, just like they're saying now. Somebody smart—one day someone will tell me who this person was, because I want to give credit where credit is due and I don't know how to do it—said, how do we get to the same outcome through an indirect method?

So the parties in the Montreal Protocol, including the developing nations, agreed to separate the question of the consumption of products that lead to ozone-depleting releases from the sale of those products and have two sets of reduction schedules, with each set being a phase-out of production and a phase-out of sales. They agreed to ask nations to focus on the products, the consumption of which creates emissions, and move from a focus on emissions to a focus on how we are managing trade in those products. That was the movement that broke the impasse at the Montreal Protocol.

But if we go to Bali and say we're not willing to make that kind of move here, we want you to come to the table and say yes to a cap, we're going to allocate quota, and we're going to screw you in the international trade in quota, they are not going to come. We won't get anywhere.

[Translation]

**Mr. Matthew Bramley:** The principle of common but differentiated responsibility you're referring to appears in both the Kyoto Protocol and the UN Framework Convention on Climate Change. That convention is still the framework for those negotiations. We should clearly continue to apply this principle, which is one of fairness. It is obvious that we won't be able to reach an agreement for

after 2012 if this is not fair. No one can be compelled to take part in such an agreement.

As regards the negotiations that we hope will follow the Bali conference, the challenge is to continue differentiating countries by type, while starting to expand the participation of countries like India and China.

**Mr. Bernard Bigras:** We are at a standstill, and we have to proceed with a reinforcement, but the question is what must be reinforced. Does the solution lie in reinforcing the mechanisms of the Kyoto Protocol? Among other things, I'm thinking of the Clean Development Mechanism, through which we could make it so that the efforts of the developing countries are taken into consideration within the overall effort. In recent years, haven't we neglected the contribution of the Clean Development Mechanism? Even Canada has not paid the minimum fees it was to pay the UN. The last I heard, it had not paid the Clean Development Mechanism its share. In short, shouldn't the clean development mechanisms be reinforced, which might make it so that there is a contribution from the development countries?

Furthermore, as my colleague said earlier about the WWF, this morning's report is quite glaring. We knew it, but now we have figures. The approach adopted by the federal government toward intensity won't reduce greenhouse gas emissions in absolute terms as the minister claimed. On the contrary, greenhouse gas emissions will increase by 129% to 219%. This approach takes us further and further away from the greenhouse gas emissions stabilization target for 2015 proposed by the G8. Wouldn't that distance us even further from the target of limiting the rate of global warming to 2%? Ultimately, wouldn't the government's approach risk undermining the global effort to reduce greenhouse gases?

Lastly, I have a fear. I would like you to tell us, in the event we leave the Bali conference without a mandate, what risks that would entail in the greenhouse gas emissions credits market. Wouldn't there be a risk of a carbon crisis, a financial crisis in the markets, if we weren't guaranteed an acceptable follow-up to Bali?

• (1620)

**The Vice-Chair (Hon. Geoff Regan):** That's a lot of questions, in view of the fact there's only one minute and 10 seconds for the answer.

Mr. Drexhage.

[English]

**Mr. John Drexhage:** I'd like to quickly respond to the first question.

It's a very important point to keep in mind that when we're talking about further and more serious engagement on the part of developing countries, you need to look at what the Montreal Protocol accomplished with the multilateral fund. There are some very strong funding and investment issues that have to be taken into account, and developing countries have to be supported in that respect.

I think the initiative of the Indonesian government to host a meeting of finance ministers and a meeting of trade ministers, in addition to the COP summit of the environment ministers, is incredibly important. That will be part of breaking the impasse that Aldyen was referring to. It's about making it clear exactly how these investment flows and how these financial flows can support clean energy investment and their adaptation activities.

**The Vice-Chair (Hon. Geoff Regan):** Do you have a second comment?

**Ms. Aldyen Donnelly:** I just want to throw in a little reality check. The WWF report was originally published some time ago. To accept the oil industry emission forecasts in that report, you have to assume that emissions from the Canadian petroleum sector will grow at a rate that is substantially faster than the rate at which production grows. By comparison, between 1990 and 2000, oil sands production doubled and their emissions increased by less than 50%. So there's some pretty fantastic forecasting going on there.

Even if you accept this somewhat less incredible forecasting and use the WWF numbers, the tar sands emissions will amount to less than 7% of the National Energy Board's best-case scenario BAU forecast. I'm not saying give the tar sands a pass, but spending enormous amounts of resources and energies bitching about 7% of the problem is.... Excuse my language.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much.

Merci, Monsieur Bigras.

Mr. Cullen.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** It's okay, we're a tolerant committee. Rather you than one of us, let's put it that way.

To pick up on a small point Mr. Drexhage made, I'm trying to understand, in terms of interpreting all this back for Canadians, what the significance of this particular UN meeting is about and the process we're engaged in, because I think Canadians have reached a rightfully cynical place when they hear politicians talking about climate change. Our past record and our future plans both breed quite a bit of cynicism within the Canadian public, and I think Ms. Hayes summed up some of that frustration very well.

In turning the question as much to the environment, but also to the economics, the fact that our government has chosen not to send our ministers of finance or trade to these significant meetings to talk about the economic questions that are going on here—which have huge and important economic bearing on Canadian businesses, some of which Ms. Donnelly represents—I find a real fault of leadership and a real lack of foresight as to what's coming, as to the impacts. Canada has no expenditures whatsoever, that we can find, to understand what the climate change impacts will be on our economy right now. Whether it's pipelines, mining operations, forestry, fishing, any of our traditional resource-based extraction processes, the Canadian government hasn't got a clue—hasn't got a clue—as to what a two-degree or four-degree rise in temperature might do.

We've talked about the question of leadership. Ms. Hayes, again, talked about the frustrations with failed leadership. If this process fails, the consequences for a middle power like Canada, which is essentially what we're talking about—how a middle power

influences a larger conversation. The question of credibility comes first and foremost.

To start with Mr. Bramley, what can we rely on right now, in terms of influencing other countries, as we head into Bali? What do we have in our pocket that we can lay on the table and then influence somebody else to alter whatever course it is they're taking?

• (1625)

**Mr. Matthew Bramley:** That's difficult to answer.

Clearly, there's a lot of concern about the attitude of the Government of Canada to our existing obligations under the first phase of Kyoto. The government has made clear that it's not going to attempt to comply.

Regulations will only be implemented in 2010, whereas Kyoto begins in 2008. The government doesn't want to put any money into the clean development mechanism, despite it being a valuable, important mechanism that counts toward meeting our Kyoto target.

So there's a lot of concern I think from other countries just on that single point.

The science is very clear about the kinds of emission reductions that will be needed from the developed countries if we're to have a chance, even only a chance, of staying within two degrees. Developed countries need to reduce their emissions by between 25% and 40% below the 1990 level by 2020, but Canada's target for 2020 is actually slightly above the 1990 level. So either we're saying it's okay to have much more global warming than two degrees or we're saying that because we're doing less, someone else is going to have to do more to compensate. It has to be one or the other.

**Mr. Nathan Cullen:** I think there's an interesting irony developing, which we'll be looking at in Mr. Layton's bill that will be describing some of those mid-range targets and beyond. They are science-based targets, something that's been missing from a lot of this conversation. As people go through...we knew in the previous government the target that was selected had no basis.

I don't know if they talked to you, Ms. Donnelly or Mr. Drexhage, but we couldn't find anybody the government talked to before they actually picked their target previously, a mistake that many of us have pointed out.

I'm wondering about what I'd suggest might be a myth, that is that in Bali, as a process, developing nations do not have to seek...or there is no process within the UN for developing nations to seek hard and firm targets. I've heard the government say this, that we won't commit to things because this process is wrong and doesn't ask other countries—developing China and India are often picked out—to pick targets as well.

I'm confused by this, and I'm wondering, Mr. Drexhage, if you could point it out.

**Mr. John Drexhage:** To be strictly accurate, right now, under the terms of the Berlin mandate for the Kyoto Protocol, developing countries are expressly exempt from taking on additional commitments.

There are commitments that are referred to under the convention, but those are the commitments that were drafted prior to Kyoto and continue to be elaborated on. It has to do with the preparation of some greenhouse gas inventories and any other kinds of actions that countries are taking to meet both their development and greenhouse gas reduction objectives.

**Mr. Nathan Cullen:** What are the chances, then, of bringing the Chinas and Indias into the fold of commitments, hard commitments, if Canada is unwilling to do it first?

**Mr. John Drexhage:** If Canada specifically isn't willing to do it first, it wouldn't help the chances, that's for sure.

But I think the bigger question, to be absolutely honest, if we're going to deal with the global real world of *realpolitik* is whether the United States is going to be willing to take the lead and whether Canada will be a part of that, in consenting to do it, or not.

To be absolutely blunt about this, if at the end of the day Canada says, we're uncomfortable taking the lead without developing countries doing so, but the United States says it is, what is essentially going to happen is they're going to go ahead with it and say to Canada: you made that decision; you're outside of this process.

Canada, as part of the North American contribution to this, can play a critical role. I think it really needs to be accentuated, because it has to be much clearer about how it's planning to take that lead, how this 20% is going to be achieved. That all needs to be much further elaborated for them to have any kind of credibility.

**Mr. Nathan Cullen:** I have a question for Ms. Hayes, and I want to get over to Ms. Donnelly in a second.

I'm a little confused as to why the folks within your organization and your group are raising their own money and spending their own time to go to something like this. I don't think it's generally put forward as a great time for most folks your age.

And—this is a comment to the committee members—I can't recall having somebody of your age present to committee before, in the three years I've been here. There's some absence of that, in terms of the general Canadian population that Parliament actually hears from; we don't hear from your generation.

I'm wondering why bother, and why bother now with such significant numbers?

**Ms. Barbara Hayes:** The reason we're bothering now, in specific terms, is due to a lot of the things that have already been addressed. Now is the time; we need a strong negotiating mandate to go forward if we're going to have a continued process past 2012.

Why the youth specifically are going is that we really feel that Canada needs to step it up. We need to have alternative voices there representing Canada and also bringing information back to the rest of the country about what's happening over there.

• (1630)

**Mr. Nathan Cullen:** But we have a process, and that process selected a government, and the government goes out and represents the country. Why not just be satisfied with that?

**Ms. Barbara Hayes:** At this point we don't feel they're representing us, or most of the people I know, or the people in the 20 communities who are mobilizing for the International Day of Climate Action, who feel that Canada is really not living up to its commitments and is not taking leadership on this issue, and that it is a necessary issue on which to commit to strong targets—and we're not doing it.

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

This is a question for Ms. Donnelly. The government rolled out its plan some months ago. It's been unsupported by any major environmental group or group dealing with this issue that I've been able to find so far.

We haven't found any regulations that have gone out that have specifically applied or that have affected...

Do you represent some energy companies, some oil and gas companies?

**Ms. Aldyen Donnelly:** Yes, and I'm aware of, but not directly involved in, very detailed discussions that are going on between Environment Canada and industry.

**Mr. Nathan Cullen:** But have any of your companies seen any regulations? Have we seen anything on the ground? Have businesses been affected? Can you point to an instance where, because of what the government has done, the people you represent have been affected one way or another?

**Ms. Aldyen Donnelly:** I think you might want to look at annual reports and recent announcements and count up....

**Mr. Nathan Cullen:** I'm looking for a rule—a rule that's been applied to the way business is done in the energy sector in Canada—that says, "We're serious about climate change. Here's the rule. You must abide by it."

I can't find any.

**Ms. Aldyen Donnelly:** You understand that I'm not saying this is enough, but the fact is that, however inadequate, the greenhouse gas caps that the Province of Alberta has implemented are more aggressive than the caps that any European nation has put in place in their CO<sub>2</sub> allowance allocation procedure.

**Mr. Nathan Cullen:** We would have a moment of disagreement about that, only—

**Ms. Aldyen Donnelly:** No, that's a fact.

**Mr. Nathan Cullen:** One question, and this is to Mr. Bramley, is about the cost of failure.

Canada has put forward this strange position that unless others lead—countries with GDPs a fraction of ours, far lower education levels, far lower capacity on the international front.... Yet we don't do that on other international engagements—the fight against AIDS, or military engagements in Afghanistan and the rest.

What is the cost of failure of this process—to Canada, specifically, and our national interest?

**The Vice-Chair (Hon. Geoff Regan):** Mr. Bramley, very briefly, please.

**Mr. Matthew Bramley:** I think Canadians want us to be at the forefront of solving the problem. The kind of position it seems the Prime Minister took at the Commonwealth summit doesn't look like Canada being at the forefront of solving the problem. We always question the developing countries having different commitments or different levels of ambition than developed countries. You have the Prime Minister's statements in the last few days on the one hand, but Minister Baird actually said something a bit more encouraging. I think this was a quote from an article on November 12th. He said, "Canada is a rich country. We should go further and faster than developing countries, but we need them on board paddling in the same direction." That's much closer to the kind of arrangement I think we're heading for.

Hopefully Minister Baird will be able to elaborate on that in Bali and tell us more about the difference between the types of commitments he thinks would be acceptable between the two categories of countries.

**Mr. John Drexhage:** If I might, just very quickly, I made—

**The Vice-Chair (Hon. Geoff Regan):** Mr. Drexhage, would you mind waiting for another round? We are at 11 minutes now. Hopefully you will get a chance to comment on that later.

It's over to Mr. Warawa for 10 minutes.

**Mr. Mark Warawa (Langley, CPC):** Thank you so much, Mr. Chair.

Thank you to each of the witnesses for being here.

I did read the Pembina Institute handout, and I didn't see anything surprising there. Thank you for that. It was what I was expecting.

I want to correct one comment made by Mr. Bramley on CDMs. In fact, it is in the regulatory framework. CDMs are part of that.

I want to bring something to the committee's attention, and I'm sure you're all aware of it. Last Thursday we had panellists here from the IPCC. It was one of my colleagues, I believe it was Mr. Watson, who asked if the United States and Canada were to totally shut down, no more greenhouse gases coming from Canada, everything totally stopped, what would happen to greenhouse gas emissions globally; would they stabilize or would they continue to grow? The IPCC panellist said they would continue to grow. That highlighted to me the importance of having all major emitters as part of the solution.

They went on to say that this is why Canada and the United States need to create the technologies that will enable the rest of the world to reduce their greenhouse gas emissions. That was encouraging.

Through the strong leadership of the Prime Minister and the Minister of the Environment at G-8, at APEC—and I would disagree with my Liberal colleagues who called it a sideshow—we need to find a way of getting all these major polluters involved in the solution. The metaphor the minister uses is that we are all rowing in the same direction.

My question is to Ms. Donnelly. There have been comments about the per capita greenhouse gas emissions. I was in Berlin at the G-8

plus 5. There were numerous countries represented there. We talked about deforestation. There were very complex issues. For example, a parliamentarian from India shared that there are 1,000 villages in India that do not have electricity yet. They're looking for the easiest and quickest way of providing electricity, so they're looking at burning coal in a generating plant. Now you have greenhouse gas emissions that are projected to increase in India, along with a lot of dangerous pollutants. But they need the electricity.

There were a lot of options that were discussed. But the EU was quite proud that they had lowered their greenhouse gas emissions per capita.

Could you and Mr. Drexhage share with us—we'll start with Ms. Donnelly—how Europe reduced their greenhouse gas emissions per capita.

• (1635)

**Ms. Aldyen Donnelly:** I try to distinguish between what's happening within national boundaries and what I call a nation's or a people's greenhouse gas footprint. In 1990, if there are still only two countries in the world and they're energy self-sufficient and they have the same jobs and the same consumption patterns, they're the same. Then in 2000, if this nation now imports 50% of its energy and manufactured goods, and that nation exports the goods that this nation imports, then that nation's emissions are much higher than this nation's. But this nation's global greenhouse gas footprint is either the same as it used to be or higher, because goods that used to be made down the road are now being shipped across the world.

Between 1990 and 2005, Europe shifted from being a net fuel exporting region to being a net fuel importer. The U.K. is a net coal importer now, as are other countries. And over that period, EU-wide, with offshore manufacturing, they've had a net 34% loss of manufacturing jobs. If you actually look at the European inventories—European per capita transportation and fuel consumption per capita, greenhouse gases from transportation fuel consumption, per capita electricity consumption, greenhouse gases per unit of electricity consumed, per capita car purchases, per capita car use—on average, all have increased faster than Canada's have. So 100% of the differential between our trend and their trend derives from the fact that they have shifted from being energy self-sufficient and one of the leading manufactured goods exporting nations to being energy not self-sufficient and one of the leading manufactured goods importing regions.

The trouble in this whole context for Canada is, of course, that while Europe lost 34% of its manufacturing employment, Canada gained a net, almost, 17%. We've stabilized recently. Those differentials explain everything.

What's that got to do with anything? The fact is that if each of us as an end-user is consuming more, we haven't improved the atmospheric concentration of greenhouse gases just by shifting our manufacturing offshore. So if we went back to a Montreal Protocol-type construct, we would be accountable for the full fuel-cycle emissions associated with what we consume, regardless of where we get what we consume from. That's a Montreal Protocol-type structure. In that structure, Canada's per capita emissions would still be high—and absolutely, we need to do a lot of work—but our trend since 1990 would be better than all but three of the 25 EU member states.

It should be noted that we have the third-cleanest electricity grid in the world, and per unit of output, we are home to among the most efficient chemical and manufactured goods product manufacturers in the world.

So our challenge is to figure out how to do something that Europe simply has not achieved, which is to cut emissions and increase jobs.

There are people who have to be in this room, like Canada's labour pension funds.

• (1640)

**Mr. Mark Warawa:** How much time do I have?

I have three minutes.

I'm going to move to Mr. Drexhage, and instead of having you answer that question, I'm going to ask a new one.

Both of you talked about the Montreal Protocol and about using that as a model. What we're looking at is post-2012 and finding out what did not work with Kyoto. What I've heard on a regular basis is that Kyoto, as it's presently structured, is focusing on 30% and that 70% of the emitters are not part of the Kyoto Protocol.

What you're proposing, through the Montreal Protocol model, is that everybody would be involved. Is that correct? Maybe we'll start with Mr. Drexhage.

**Mr. John Drexhage:** That certainly is one of the real, significant achievements. I would, respectfully, not share all the same conclusions as to why the Montreal Protocol was a success.

I think the consumption part was more effectively addressed in the Montreal Protocol, but that's far and away not the only reason why it was a success. And with respect to the Kyoto Protocol and the United Nations Framework Convention on Climate Change, if you think you're going to now change around the entire regime for inventory and accounting of greenhouse gas emissions, you're really dreaming in la-la land. That's not going to happen. But should it be taken into account when Canada is deciding what sorts of reductions it should be looking at in the future? Yes, that's something that should be taken into account.

If I might, I really do have to respond to some of the European stuff, because Alden is making it sound as if Europe is some kind of dreary, dreadful place where there's no expanding economy. Plus, we have an incredibly poor currency going on there as well. Well, in fact, we know that the very opposite is happening, and it's made it a heck of a lot more competitive. The reason they did so had a lot to do with the energy crisis in the 1970s, and they smartened up. We

haven't been pressed to smarten up in the same way, and we're going to pay the price for it, both in terms of the adjustments we have to make in adjusting to climate change and in terms of just growing up as an economy.

**Mr. Mark Warawa:** Mr. Drexhage, how long do you think China, India, Brazil, and Korea should be given a free ride? I think the Liberals said they're building their country on the back of the atmosphere, so how long should they be given a free ride? How quickly should they be part of the solution?

**Mr. John Drexhage:** It really depends on where the government and Canadians want us to be. If they want us to be at two degrees Celsius, we really have to talk about their getting engaged with serious commitments within the next 10 to 20 years.

If we're talking about something a bit longer-term where it's going to be a 3.5 degrees Celsius change, whereby we're putting 40% to 70% of the species at risk, they can wait a little longer, but we are definitely talking about within the next decade, absolutely.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Warawa and Mr. Drexhage.

Now we're moving to the five-minute round. Our next questions are coming from Mr. Godfrey.

**Hon. John Godfrey (Don Valley West, Lib.):** Thank you very much. Welcome back, in many cases.

I have a couple of simple questions for the panel. Do any of you know, as of this hour, actually what the Canadian position will be at Bali? A simple yes or no.

**Mr. Matthew Bramley:** The statements have been made in some speeches. Essentially, Canada's position to date, as far as we know it, is that we want a new international agreement that cuts global emissions in half by 2050. That was in the throne speech. It has binding targets that apply to all major emitters, including Canada, the U.S., and China. That was in the throne speech and one of the Prime Minister's speeches. Canada will do everything in its power to help develop an effective all-inclusive international framework that recognizes national circumstances.

Also, Canada did agree at the EU summit in June on the principle of launching negotiations in Bali, but that's all I know. There's nothing about what we would expect to see in the Bali mandate. There's nothing about the numbers on the scale of reductions that need to come from this or that kind of country, nothing on the kinds of commitments that different kinds of countries should take on. I haven't seen the kind of level of detail that we need to be into discussing in Bali.

• (1645)

**Hon. John Godfrey:** Mr. Drexhage, you've been to a lot of these COP meetings. In your experience, is it unusual for the Government of Canada at this stage of the game not to have its position a little better known in advance?

**Mr. John Drexhage:** To be absolutely honest, I'd have to say no, it's not, unfortunately. It's been a problem we've had to grapple with, I have to say, for an awfully long time, and it still doesn't seem to get adequately addressed. I have to be honest about this.

**Hon. John Godfrey:** Let me ask you this. In the absence of positions laid out beforehand, one has to assume that what the Prime Minister said the other day in Kampala is part of the Canadian position. It must be a foreshadowing of what's going to be said.

Again, Mr. Drexhage, in your experience of negotiations, do you think that this hard line, this insistence that we all have to sign up at the same time, is actually going to be very helpful either to the folks in Bali or in Canada establishing a leadership role? That's a question. Or is this part of the negotiating game, as some columnists have suggested, or part of being a bridge or part of some other damned thing?

**Mr. John Drexhage:** Far be it from me to try to read the mind or the motivation of the Prime Minister. There certainly is an aspect to this that is not unlike trade negotiations, in which you certainly cannot show all of your cards at one time, or in which you might in fact try to weigh your cards in one direction at the beginning of a set of negotiations in order to try to influence the outcome in another direction.

I would also want to make the point that I discussed with some people beforehand, which is that at the same time and notwithstanding the role of such things in a negotiation, in some respects this is something very different. This is not trade. This is not a simple economic commodity we're talking about here.

At the same time, I do recognize that many other countries aren't treating it in that way either, and are being very cynical and have been very cynical about the game being played out in the negotiations for quite some time.

**Hon. John Godfrey:** Mr. Bramley, do you find the Prime Minister's stance helpful in any way in advancing the cause of Bali and getting beyond Kyoto?

**Mr. Matthew Bramley:** No, the statements made about the targets or commitments that the Prime Minister wants to see for developing countries seems to indicate a very rigid position without acknowledging the nuance that there are these vast disparities between different kinds of countries. I can't imagine that's a helpful way to begin the Bali negotiations.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Godfrey.

[*Translation*]

Now it's Mr. Harvey's turn.

**Mr. Luc Harvey (Louis-Hébert, CPC):** Good afternoon, thank you for being here. Sincerely, I would need, not five minutes, but two days to be able to ask all my questions. So, as far as possible, I'll ask you to answer me with a yes or no, or to be as brief as possible.

Mr. Bramley, the opposition has told us on a number of occasions that France, England and Germany were examples to follow. Are the countries I've just named really examples to follow?

**Mr. Matthew Bramley:** Let's start with the targets. The document that I've distributed, but that you perhaps haven't received, contains a table. Our document on Bali is on our Web site. In it we compare the targets of various countries. Germany's target, for example, is to reduce its emissions by 40% between 1990 and 2020. France is aiming for a 75% to 80% reduction.

• (1650)

**Mr. Luc Harvey:** I'm asking you whether they are examples to follow.

**Mr. Matthew Bramley:** Some of those countries, yes, have objectives that are compatible with the scientific recommendations. From a policy standpoint, you have to look at them more closely.

**Mr. Luc Harvey:** What do you mean by a "policy standpoint"?

**Mr. Matthew Bramley:** I'm talking about the policies put in place. In Europe, in general, they acted much sooner and more vigorously. That was the case, for example, with regard to the promotion of renewable energies and energy efficiency, but much remains to be done, of course.

**Mr. Luc Harvey:** France now has 58 nuclear reactors and 20 atomic power stations. If I understand correctly, you also think that's an example for Canada to follow for the future development of its greenhouse gas reductions?

**Mr. Matthew Bramley:** At the Pembina Institute, we aren't—

**Mr. Luc Harvey:** Try to be brief, please. I only have five minutes.

**Mr. Matthew Bramley:** If France's emissions are already quite low because it uses nuclear energy on a massive scale, it is all the more difficult for it to adopt an additional 75% reduction target for its emissions. A country like Canada, whose missions are very high, has, from a certain standpoint, more opportunities to make reductions.

**Mr. Luc Harvey:** I have another question. The mining sector is a real presence in my riding. It was explained to me that four tonnes of Co2 are emitted in the production of one tonne of aluminum in Canada and that seven tonnes of Co2 are emitted to produce that same tonne of aluminum in China.

What are we to do? Should we go and produce our aluminum in China? Is that advantageous for Canada, or should it continue to do that here? Should carbon credits be given to the one that uses aluminum so that we can find the best possible place to produce that aluminum? That's an example.

Ms. Donnelly, you seem interested in the question.

[*English*]

**Ms. Aldyen Donnelly:** I want to turn that example into where we should be taking the Kyoto Protocol. If we were following the Montreal Protocol model and trying to reintroduce that to the Kyoto process, we would be sitting down with the United States, Europe, and Japan right now and asking them to bind to a common market aluminum product standard. We would regulate that anybody who sells aluminum, imports aluminum, or makes aluminum in our common market must account for the emissions associated with aluminum's production, regardless of where it's made in the world. And to legally sell aluminum in Canada, the emission intensity of what you would sell here in Canada, in the United States, and in Europe would have to be below .4 tonnes of greenhouse gases per tonne of aluminum. At that point in time, we would finally have, for the first time, levelled the playing field. We could now attract investment to aluminum plant upgrades in Canada instead of losing it to the countries that have cheaper, higher-emitting electricity. That's a fair global level playing field.

[Translation]

**Mr. Luc Harvey:** Ms. Donnelly, during your last visit, you talked about credits for 91 megatonnes of HCFC-22. How is HCFC-22 bad for the environment?

[English]

**Ms. Aldyen Donnelly:** The credits are for reducing HFC-23 emissions that arise in the process of making a product called HCFC-22. HCFC-22 is an ozone-depleting substance that is scheduled to be out of production under the Montreal Protocol in the developed world by the end of 2010 and with a later phase-out. It's a highly potent greenhouse gas.

[Translation]

**Mr. Luc Harvey:** Under the Kyoto Protocol, we're going to provide 91 million tonnes in credits for HCFC-22.

**The Vice-Chair (Hon. Geoff Regan):** Thank you, Mr. Harvey.

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

I would like to take the opportunity to hand the floor over to the young people, since they appear to form the majority of the audience. I'm going to put my question to Ms. Hayes.

In your presentation, you mentioned that, in future, you were going to have to adjust to certain conditions. Mr. Drexhage said that some species would disappear, that there would be a loss of plant and animal diversity, that new insects would appear, that there would be invasions, that the food chain would be altered, and so on.

I would like to know whether, in your opinion, the present government will achieve the target of 20% in 2020 that it has set for itself. Otherwise, do you have any proposals to make to your government so that target is reached? Lastly, what sacrifices is the young generation prepared to make in its standard of living in order to achieve that target?

•(1655)

[English]

**Ms. Barbara Hayes:** First, regarding the government's target of 20% in 2020, it is starting from the wrong baseline of 2006. So even that might not be enough to avert these things I'm talking about, and in fact, it is probably not going to be. Therefore, I'm not convinced that the government is putting forward all efforts to meet even these targets that aren't the ones we need.

I don't actually have any proposals on me right now, but as to what youth are ready to give up in terms of standard of living, I think the key point is that we will have to give up much less if we act now. What we're saying is, help us take the initiative right now so that we aren't condemned to a much lower standard of living that we will have if, when I'm your age, I start reducing emissions to the point that is already being called for by IPCC and others.

[Translation]

**Mr. Marcel Lussier:** Ms. Hayes, I'm sure that people close to you have suggested solutions for reducing greenhouse gas emissions or proposals to make to the government so that it can achieve its targets.

What do young people talk about amongst themselves? What tools can we use to reduce greenhouse gas emissions?

[English]

**Ms. Barbara Hayes:** In terms of objectives, we do call for the phase-out of fossil fuel subsidies. We do call for better regulations, at least California standards, for automobile emissions. The phase-out of coal we can do, at least in Ontario, and I think in B.C. as well. There have been studies produced that contain no coal, no nuclear, and still supply increased....

The government used to have a very good home energy efficiency plan, EnerGuide, for increased home efficiency standards and smarter design.

We create things that just waste so much energy. So in terms of basic conservation, before you even get to the more serious things that need to happen regarding manufacturing and transition to a green job economy, which we absolutely can do, which we have the resources to do here in Canada, those are the first kinds of things.

[Translation]

**Mr. Marcel Lussier:** Have you heard about a project that Quebec would like to carry out designed to reduce oil dependence by 20%?

[English]

**Ms. Barbara Hayes:** I don't know the specifics.

[Translation]

**Mr. Marcel Lussier:** Mr. Bramley, you also listen to young people. What is your reaction to the questions I asked Ms. Hayes? Do you know whether young people recommend targeting cuts in the production of greenhouse gases in other areas as well?

[English]

**The Vice-Chair (Hon. Geoff Regan):** In a few seconds, please.

**Mr. Matthew Bramley:** Perhaps one thing to highlight would be the fact that close to 50% of our greenhouse gas emissions come from heavy industry in Canada.

[Translation]

We need a much more ambitious regulatory framework that would have far fewer loopholes and targets expressed in absolute terms, not in terms of intensity. A much tougher regulatory approach would mean that we deal with half of emissions in Canada. That approach would also be implemented much more quickly.

•(1700)

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Bramley.

[English]

Mr. Vellacott, please.

**Mr. Maurice Vellacott (Saskatoon—Wanuskewin, CPC):** Thank you, Mr. Chair.



Part of the previous government's plan, or the scheme, was to send these billions of dollars of hard-earned tax dollars overseas to purchase hot air credits, and we talked about that at previous meetings when some of you were present here, actually.

The intent, then, to meet the so-called Kyoto obligations by means of that, which really provided.... I think all of us were quite aware it was a bit of a shell game or a scam in that there was no environmental benefit to Canadians with that kind of a system.

I would like to ask Ms. Donnelly first, and then Mr. Drexhage as well, because of your areas of expertise in that: do you support emission credits abroad rather than investing those dollars here at home to improve the air Canadians breathe, as well as creating environmentally sustainable technologies? Then I have a follow-up question related to the big polluters like China and so on, if we have time at that point.

**Ms. Aldyen Donnelly:** In principle, I'm actually a strong supporter of international trade and environmental attributes, but this is a place where Canada can really take a lead. It's pretty straightforward. When we write a domestic set of regulations, if a project could be legally built in Canada and would receive credits if it was built in Canada, then the Canadian rule should issue Canadian credits to that same project if it's built offshore. It's a pretty straightforward test, and it is the kind of test that would lead to the true export of our higher standard to the developing world.

I went through, just before this meeting, the whole CDM and JI project list, and I could count in that whole project list projects worth about 12 million tonnes, over the Kyoto budget period, that might have the potential of meeting the test I just enunciated. So to meet what I think is the test we should apply, we would be developing a whole new and better class of international projects than is currently dominating the CDM and JI list.

**The Vice-Chair (Hon. Geoff Regan):** Mr. Drexhage.

**Mr. John Drexhage:** Yes, like Aldyen, I have no issues whatsoever in using the marketplace, whether it's national or global, in supporting environmental attributes that are also commercially feasible. In fact, in my intervention, I made the point of just what's been happening on clean energy investment globally, and it's truly impressive. The CDM has not played an insignificant role in that. We've seen a rise from about 20 billion four years ago to over 100 billion today. That is a very impressive and very necessary trend that needs to happen.

One of the things the CDM helped to accomplish, notwithstanding some individual project issues, HFC-23 issues, etc.... We're all going to go through our growing pains. But what did it do? It engaged the international community—by that I mean in developing countries—in understanding that this thing, carbon, has a market value; therefore, you can do something with it, and it represents an incentive and not always a stick. I'm glad to see that the government has already begun to rethink this. They've included it for industry. Ten percent of its objective can be used towards the CDM. Frankly, I would wish that it look at this more creatively and ensure ways in which both the integrity and economic efficiency is gained.

**Mr. Maurice Vellacott:** If I have a few more minutes, I have a graph before me. It was prepared by the Library of Parliament, and it goes back from 1971 through just a few years ago. At that point

already, it showed that in terms of the megatonnes of carbon produced by, in this case, China compared to Canada, it was 25 or so times more than Canada's. This is going back to about 1971 through 2003.

And we know with all the major coal-fired plants that are coming on stream in China—there are quite a number being announced, some huge ones. My colleague here reminds me that in a few years we won't have enough paper to show the exponential growth in terms of carbon pollution in China in that period of time.

I think that reinforces the point of why we need these people onside. Whether a negotiating tactic or what, we need to actually push hard such that these people become involved, because yes, we can do our part and be an example and all those fine words, but we also need to have these people involved, because the air that I breathe, and my children and grandchildren breathe, is greatly affected by the streams coming from those parts of the world.

I'd just like quick responses on that. I think it's a decent starting point, in that without equivocation we need those people involved and we need to push them hard to that end.

● (1705)

**Ms. Aldyen Donnelly:** That leads me to one recommendation I would bring to the Bali negotiating team, if they're open to suggestions.

The aid budgets of the Japanese and three major European nations are tied to developing lower-cost and increasing offshore supplies of coal for them to burn in their own plants. Japan spends five times more money every year tying aid to long-term developing-nation coal supplies than their entire 2008-2012 budget to buy CDM/JI credits.

In a legitimate go-forward in Kyoto, every party should be required to prepare a greenhouse gas inventory for their aid portfolio and add that to their national inventory. While you're at it, all 13 UN agencies, the World Bank, and the ISC, should be required to publish greenhouse gas inventories for their aid portfolios.

You'll find that the \$30 billion or so John rightly estimates as spending on clean projects is a rounding error compared to global aid spending on old-fashioned coal-burning stuff.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Vellacott.

Mr. Scarpaleggia.

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

I've listened quite a bit to the comparisons between the Kyoto Protocol and the Montreal Protocol, but I seem to recall people saying, in the past anyway, that they were very different in many ways. I wonder if Ms. Donnelly could address those differences.

First of all, we were dealing with a discrete product. Right then and there the situation was completely different. It's simplified when you're dealing with one product. I'm told that about 80% of the production of that product was located within one multinational corporation. Perhaps she could address that.

I'm also told—and I'm not sure about this—that under the Montreal Protocol, developing nations had a responsibility to go first, or—

**Hon. John Godfrey:** You mean developed nations.

**Mr. Francis Scarpaleggia:** Sorry, I mean developed countries. I'm being corrected by my colleague here.

But anyway, let's stick to the fact that most of it was produced within one multinational company. Wouldn't that make it easier?

**Ms. Aldyen Donnelly:** But the reality is that the treaty covered the operations of more than 17 corporations in the U.S. alone; seven separate corporations in India; four in South Korea; 11 in China; and five unrelated to the list I've already...in Japan; and four in the U.K.

**Mr. Francis Scarpaleggia:** But that's really nothing compared to the challenge—

**Ms. Aldyen Donnelly:** I'm talking about the model.

The other thing is that they sat down and said, "How do we convert this emissions challenge to a product list?" The actual products are broken into three categories, and there are hundreds of products on the list.

I'm not saying this is easy. I'm just saying it's easier than what we're trying to otherwise do in Kyoto.

The great accomplishment of the Montreal Protocol was that the developed nations went first, but they went first having reached an agreement with the developing nations on the dates the developing nations would go. So everybody had their dates in place before anyone went.

On the problem with Kyoto, nobody is wrong, but we're at the place where we're not sitting down and having that same kind of dialogue.

**Mr. Francis Scarpaleggia:** You said at the beginning that we should use this approach of banning the production of certain products.

**Ms. Aldyen Donnelly:** The key deal is saying, "I have a schedule that is long term and covers 70 years for phasing out the production of key—"

• (1710)

**Mr. Francis Scarpaleggia:** We're going to ban or phase out the production. There are so many products out there, so what products would you start with?

Wouldn't it be much more complicated to start creating schedules for the phase-out of greenhouse-gas-producing products over 70 years than getting rid of HCFCs?

**Ms. Aldyen Donnelly:** Ten product classes in greenhouse gases cover 85% of the global industry. It's a shorter list than the CFC list. If you break those 10 into subclasses, you have the 40.

**Mr. Francis Scarpaleggia:** I know, but a lot of it's related to energy.

Can you see us going to a country and saying, "We want you to stop producing these products"?

**Ms. Aldyen Donnelly:** We're not saying that. We're saying that if you sell cement here, if you sell aluminum here, if you sell iron and steel here, you account for your emissions, and they have to be below  $x$  per tonne.

We don't tell them to do anything. We say, "We don't buy from you unless you account and you meet a test".

**Mr. Francis Scarpaleggia:** I think it's very complicated, and we're almost getting into command and control.

**Ms. Aldyen Donnelly:** By the way, I just described the AB 32, the California state legislation that was passed into law in December 2006. If you want to read how to do it, you can download the California state law.

**The Vice-Chair (Hon. Geoff Regan):** Mr. Drexhage, do you wish to respond to that?

**Mr. John Drexhage:** Yes.

That's precisely the point. If it's going to be implemented domestically, it's a non-starter internationally.

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

My other point has to do with the government's approach. The narrative that seems to be developing over the last two years, going on to three years now, after January, is that we have a government that doesn't want to commit to anything. We have no regulatory regime on greenhouse gases. And there's been mention that we're going to have intensity-based targets, which is a slippery slope.

Then the Prime Minister goes to meetings and it makes for a good photo opportunity and good body language to say, "Look, we're not going to be pushed around by Communist China", but there's no nuance here. There's no indication that there's a willingness to go ahead. He's not telling us what he expects from China and India. He's not saying, "Okay, we understand that we can't use the same approach with these countries, but maybe we could have a middle ground, where their targets would be maybe discounted at the beginning versus our targets".

There is nothing to discuss. It's all a kind of gunslinger approach to show how tough Canada is in the international community, yet we don't have a regulatory regime here and time is marching on.

I'd just like your comment on that, Mr. Bramley.

**The Vice-Chair (Hon. Geoff Regan):** Mr. Scarpaleggia, I'm afraid we're going to have to take your comment on that, if you don't mind, because your time has expired. Sorry about that. I'm sure we'll hear more from the panellists.

Over to you, Mr. Watson.

**Mr. Jeff Watson (Essex, CPC):** Thank you, Mr. Chair.

Thanks to our witnesses for appearing here today.

It should be of note perhaps for my colleague, Mr. Scarpaleggia, that had there been no government change, there still wouldn't be any regulations for large emitters in place for this nation heading into Bali.

Ms. Hayes, I just want to come to you for a second. You'll have to forgive me. I don't know much about your organization. I just have a few basic questions to get to know you just a bit better.

You call yourself a coalition. There are several groups that are involved in what you're doing. How many groups?

**Ms. Barbara Hayes:** We have around 12 active members right now.

**Mr. Jeff Watson:** Twelve groups?

**Ms. Barbara Hayes:** Yes.

**Mr. Jeff Watson:** Okay. Your membership number in this coalition is roughly...?

**Ms. Barbara Hayes:** In total, I'm going to go with 12 active members right now. That's all I'm comfortable speaking on behalf of.

**Mr. Jeff Watson:** No, I meant membership in terms of individuals, not groups.

**Ms. Barbara Hayes:** Because it is a coalition, we don't count individual members.

**Mr. Jeff Watson:** Okay.

How do you raise your funds to do what you do? Do you have organizations that fund you, that type of thing? I'm just curious.

**Ms. Barbara Hayes:** We are currently funded through private foundations.

**Mr. Jeff Watson:** Good. Thank you. That just helps me get to know you a bit better.

There has been a lot of work done or a lot of recommendations made by environmental groups as to what kinds of targets Canada should have. Has anyone here scoped out what types of targets, and when, should countries like China and India have? Are there any comments on what you think they should have, going into post-2012?

**Mr. John Drexhage:** Certainly the scenario reports—not the reference scenarios themselves—seem to indicate, again, depending on which one, that if you want a two degrees Celsius temperature change, then China is going to have to stabilize its emissions within the next 10 to 15 years. It's an enormous task ahead.

When I mentioned to you also that between now and 2030 the forecast from the IEA—and this is an independent forecast—is that there will be more electricity put on the grid between now and 2030, in the next 25 years, than currently exists in the United States, that gives you an idea of the enormity of the challenge that faces us here.

•(1715)

**Mr. Jeff Watson:** Mr. Bramley, I think you wanted to get in, and Ms. Donnelly.

**Mr. Matthew Bramley:** In the IPCC reports from this year, the IPCC makes recommendations on the amount of reductions in global emissions to get to certain temperature ranges, for example. And then there is modelling that disaggregates that into developed countries, different categories of developing countries, so you have

to go and look in the details of that modelling to see exactly what the trajectory would be. But even for the Chinas and Indias, we're looking at trajectories where there's a significant departure from business as usual starting now. It's just that that's not going to be implemented, realistically, through the same kinds of absolute targets as a country like Canada would take on.

**Mr. Jeff Watson:** Ms. Donnelly.

**Ms. Aldyen Donnelly:** Just to put that into context, though, in Buenos Aires in November 1998, the U.S. delegation said they would not ratify the Kyoto Protocol unless developing nations accepted caps. At that meeting, it was either Brazil or Argentina—I think it was Brazil—that proposed that key developing nations take on caps that were the equivalent of 40% above 1990 levels by the end of 2012, and China and India refused to buy into those caps. My understanding is their positions are not much changed today.

So the question is, how do we change their behaviour by saying what we will buy and what we won't buy, given that a 40% growth allocation is not acceptable?

**Mr. Jeff Watson:** Ms. Donnelly, I have another question for you.

You talked about building a solution around capital stock turnovers. Capital stock turnovers take many years. In the auto industry, I know, in terms of developing a product, for example, or things like that, it takes a long time. We've heard others here talk about how we don't have years; the critical window might be two to three years.

How do we square the circle between getting the right kind of solution that still takes into account a more urgent timeline? Is that possible? How do you square the conundrum there?

**Ms. Aldyen Donnelly:** I can't square the two- to fifteen-year circle. The point I'm trying to make is that any progress demands that Canada, almost more than any other nation, write off a bunch of capital that we haven't already paid for.

Just to give you a point of comparison, 23% of all the electricity consumed in the United States originates at plants that are over 50 years old. None of Canada's fossil-burning plants is over 40 years old. So when we're comparing our situation, Canada's to that of the U.S. and Europe, they have big stockpiles of old plants they can shut down that have been paid for. When we go to reduce emissions in Canada, we're going to be shutting down plants that we're still paying for.

So when we step back and say, what's real life for Canada, given this environmental reality, which I agree is the environmental reality, it means we're going to be writing off a lot of physical plants. So when we step back and say, what does a Canadian strategy look like, it's got to take that reality into account.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Watson and Ms. Donnelly.

The clerk informs me it's now my turn to ask a question. In attempting to maintain some degree of neutrality, I think what I'll do is I'll offer you the opportunity to respond. You may have had questions you haven't had a chance to fully respond to that you would like to add to.

Mr. Bramley.

**Mr. Matthew Bramley:** Thank you for that opportunity.

I did want to respond to something Mr. Warawa said. He took issue with my comments about the government's approach to the clean development mechanism.

What I said was that the government was unwilling to put any public money into the green clean development mechanism in terms of buying credits and funding projects in developing countries. What the government has said is that it will allow companies to put funding into projects like that in their response to the regulatory framework, but the government has been unwilling to put any public money into funding projects in developing countries that would count towards meeting our Kyoto objectives.

**Ms. Barbara Hayes:** I don't actually have anything to add to what I said.

**Mr. John Drexhage:** I'd like to actually get back to a point, forgive me.

Mr. Cullen, you had a very interesting question, I thought, as far as what is it that Canada has in terms of leverage, what does it have in its quiver in the negotiations.

I read the speech that the Prime Minister made at the Council on Foreign Relations and at the UN, and he made an extremely interesting point, and this is that the real challenge that Kyoto hasn't altogether successfully faced is what do you do with growing economies?

It's one thing to have relatively stable economies that aren't as reliant on natural resources for their exports, but what do you do in the case of the growing economies? If you look at it in that context, and if Canada really does show some honest leadership and really try to tackle this problem, it can be a tremendous learning experience for the Chinas and Indias. If Alberta, with the kinds of resources and the kind of infrastructure it has in place, can't pull this off, how, in God's name, can we expect China and India to?

I understand that the Alberta minister, for example, is planning to come to Bali. They really want to try to be proactive. I want to support them in that because I desperately do think that it's the Albertas and it's those critical places in the developed world that are so reliant still on fossil fuels and natural resources for their economy, and how they can try to "square that circle", which, by the way, is the name of our side event at Bali.... We're having Canada, China, India, and South Africa all talk about this challenge that faces us, and Canada has a real opportunity to be a leader there.

• (1720)

**Ms. Aldyen Donnelly:** I guess I'm just waiting for the day we shift from rhetoric to reality. The reality is that in Canada, fewer than 350 plants account for 95% of industrial emissions, and fewer than 40 plants owned by fewer than 10 companies account for 50% of the industrial emissions. I'm kind of wondering how many more complex multi-stakeholder consultations need to take place before our finance, environment, and industry departments sit down with fewer than 10 CEOs to figure out what they're going to do together next.

**The Vice-Chair (Hon. Geoff Regan):** Thank you.

Ms. Hayes, did anything come up in your mind in the meantime? I knew something would.

**Ms. Barbara Hayes:** Actually, yes, I do have something.

In all this conversation about leadership and credibility, the thing I keep thinking is that, to my understanding, the EU has already promised sharp reductions, and they promise to make more reductions if the rest of the world comes along. So they promised 30%. To me, that would be a real leadership model for Canada to follow, to actually be making reductions and say, "And we'll do more if you do more."

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much.

I'm going to turn now to Mr. Allen.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you very much, Mr. Chair. I have a couple of quick questions.

Mr. Drexhage, you commented before about the electricity and the power and the capital stock. Also, Ms. Donnelly commented about that. What's interesting is that last week I got a chance to debate on the Donkin Coal Mine, which is a very, very good project.

Nova Scotia Power, of course, right now has four coal-burning plants, which burn about 2 million to 2.5 million tonnes of coal every year. Those plants represent about 50% of the electricity capacity in Nova Scotia, and they're relatively new. The province is making significant investments in SO<sub>2</sub> and that type of thing—hundreds of millions of dollars.

What kinds of suggestions would you make for us, going into these, to ensure that, number one, we react to the significant lead time to replace this capital stock, and number two, that we don't create a stranded investment that will end up costing our ratepayers inordinately high power rates in this country?

I'll start with Mr. Drexhage.

**Mr. John Drexhage:** Certainly in the discussions that are going on for the large final emitters system, one of the questions is what the default standard should be for new installations. I would say that anything more than a combined gas cycle would be unacceptable. You have to give industry the signal that at the very least we need a combined gas cycle value for new installations.

Frankly, I even prefer what B.C. has chosen to do, which is to say that the standard for all new installations is going to be carbon capture and storage. But I also want to be a bit realistic about this: at the very least, a combined gas cycle.

Secondly, in terms of looking at the stranded investment question, I was a little surprised by Aldyen's observations, and I'd like to take a look at her numbers, because if you actually look at the statement that came out from the Energy Council, which is a group of all energy associations, from the Canadian Association of Petroleum Producers to the Canadian Electricity Association to the Canadian Wind Energy Association, they say that right now we're at an incredibly critical time in terms of capital stock turnover in the electrical industry. So, again, the kinds of decisions that are being made right now are really going to have impacts for at least the next 40 years, and we have to make sure that has some staying power.

Notwithstanding all that can happen within Canada, I would also agree that far and away our attention has to be focused on what's going on in Ohio and in some of these larger states. If you look at the grid—my colleague has a map on her wall of the power stations and the emissions that come therefrom—Canada is absolutely dwarfed by what's going on in the midwest. They recently signed an agreement. We really have to coordinate very strongly with them to make sure that is addressed quickly.

• (1725)

**Ms. Aldyen Donnelly:** I'm forgetting. You got me there and I've forgotten what I wanted to say to your remark.

Just to put the stock turnover situation in context, it's an unusual time in Canadian history, because we've shut down only two electricity generating facilities since 1990, while 35% of our existing electricity generation capacity was built subsequent to 1992. We have two units that are scheduled for a life extension or shutdown in Saskatchewan over the next five years, and then the Ontario coal plants. That's not very many plants, but in the context of Canada, that's a lot of supply that we're looking to replace.

Every one of those plants is under 40 years old, and the utilities that are electing to shut them down are electing to shut down plants in a situation that would be considered to be a premature shutdown in the U.S.

What were you...?

**Mr. Mike Allen:** Did you want to ask me a question?

**Ms. Aldyen Donnelly:** No. You asked a question that I really wanted to....

I'm going to say something. I'm going to run the risk of everybody who already hates me, hating me more.

I've been looking at the Nova Scotia inventory for four months, and the dilemma we have in Canada is this. If we implement the federal regulations as proposed, simply because of the structure of the economies, we're imposing a much larger per capita reduction obligation on the provinces of Nova Scotia and New Brunswick than on anybody else in Canada, by miles. Right now, all we're saying to the people of Nova Scotia and New Brunswick is that it's okay, they can buy offsets from Saskatchewan farmers. I think that looks like political suicide.

So the question is, what do you do? I hate to say this; I'm going to be hated forever. You've got to go to the ends of the earth to get the biggest, bloody LNG plant landed in that port as soon as possible.

**The Vice-Chair (Hon. Geoff Regan):** Mr. Allen is delighted with that answer. Someone from Nova Scotia will—

**Ms. Aldyen Donnelly:** I can't give you any help without that LNG plant.

**The Vice-Chair (Hon. Geoff Regan):** I'm sorry, your time is up.

I'm going to turn to Mr. McGuinty for the last couple of minutes.

I think there's probably time for one question.

**Mr. David McGuinty:** I just want to get on the record....

Ms. Donnelly, you were asked by my colleague about the Montreal Protocol. As I recollect, 80% of all the product produced at the time of the negotiation of the Montreal Protocol was produced by one company, DuPont. Many of the corporations you cited were wholly owned subsidiaries of DuPont. Many of the nation states that were engaged hosted wholly owned subsidiaries of DuPont, and the real driver for DuPont to take corrective action was corporate social responsibility and shareholder activism. I know, I sat on their board.

So I think it's important to be really clear about the success of the Montreal Protocol in its entirety.

Mr. Drexhage, you made some very compelling comments. Mr. Bramley also did. He talked about how we should be allocating the reduction of greenhouse gases. Should it be on a per capita basis? On a historical basis? Per unit of GDP?

Mr. Drexhage, you also said that even though the Prime Minister says we can all go but we can only go together, you made reference to the fact that we're already negotiating a contrary position under annex one. Can you help us understand what that meant?

• (1730)

**Mr. John Drexhage:** I'm not clear whether this is a contrary position or not. I was simply making a statement of fact. A process currently under way was launched in Montreal that obliges annex one parties, who ratified the Kyoto Protocol, to discuss further and deeper reduction commitments for the post-2012 period. Canada has been actively participating in that forum since then, and still is, as far as I'm aware.

**The Vice-Chair (Hon. Geoff Regan):** Thank you very much, Mr. Drexhage.

Thank you, Mr. McGuinty.

Thank you to all members of the committee and our witnesses.

The next meeting of the committee will be on Thursday of this week in room 269 in the West Block. Mr. Bigras will be chairing the meeting on Thursday. I look forward to seeing you all there.

Once again, thank you very much to all the witnesses.

[Translation]

Thank you very much. Good afternoon.

The meeting is adjourned.





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