



House of Commons  
CANADA

# Standing Committee on Environment and Sustainable Development

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ENVI • NUMBER 036 • 2nd SESSION • 40th PARLIAMENT

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EVIDENCE

**Thursday, November 5, 2009**

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**Chair**

**Mr. James Bezan**



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• (1110)

[English]

**The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)):** I'll call this meeting to order.

We're running a bit late with the last committee running a little over time, but we're all set up and ready to roll.

We're going to continue with our study of Bill C-311.

We welcome to the table today a panel from industry. From the Forest Products Association of Canada, we welcome Avrim Lazar, who is the president and CEO. He's joined by Catherine Cobden, who is the vice-president of environment. Also joining us is Don McCabe, who is the chairman of the environment and science committee, vice-president of the Ontario Federation of Agriculture, and also the president of the Soil Conservation Council of Canada.

We welcome both organizations to the table, and we'll kick it off with your presentations.

Mr. Lazar, if you could go first, with a presentation under ten minutes, we'd appreciate it.

**Mr. Avrim Lazar (President and Chief Executive Officer, Forest Products Association of Canada):** Sure. Thank you, and good morning, everyone. Thanks for taking the time to chat with us.

Climate change is of enormous concern to Canada's forest industry. As you probably know, we are the world's largest exporting nation in forest products. The impact of the changed climate and also the impact of a changed economic marketplace because of climate change are of deep concern to us.

The changes we have already witnessed in the climate—the lack of cold winters—has had an impact on the forest industry. The pine beetle, which normally would have been killed off because of cold winters, has multiplied and multiplied. Now 25,000 Canadian families have lost their livelihood. They have had to leave their communities because of a lack of wood to feed the industry. We don't think of climate change as a future or an abstract threat; we think of it as an immediate threat to people's capacity to earn a living and feed their families.

As a result of this, we've probably been sensitized to the need to act on climate change a little earlier than some other industries. In our mills we've reduced our use of fossil fuels dramatically. We're at 60% reduction of greenhouse gases compared to the Kyoto base year of 1990. If you do this on an intensity basis, the number is actually a little better; I think it's 62% or 63%. Any way you look at it, we've

made a very dramatic turnaround in our greenhouse gas performance.

We've done this by a deep retooling of our industrial processes, switching from fossil fuels to waste-based renewable fuels. What used to go to landfill and come out as methane now is going into the boilers and creating green energy. It's quite a dramatic turnaround.

Our customers have been asking us whether it is possible to produce carbon-neutral products. To do that, we had to go beyond the regulatory world view and look, cradle-to-grave, at our production. We are examining what we're doing in the forest. It's important to realize the impact of forestry on carbon stored in the forest, and of course to be certain that for every tree that is harvested, the carbon stored in that tree is replaced with a growing tree. We've also looked all the way through the value chain to the end-of-life cycle to make certain that our products don't end up in landfills and come back as methane.

We've taken a cradle-to-grave approach, or a cradle-to-recradle, and we've committed to being carbon neutral by 2015 without purchasing offsets from outside, which I think is quite a unique and ambitious target. We'd like to go from 60% renewable fuel to 100%. We think we can do that faster than 2015, but of course with economic circumstances capital renewal has slowed down.

Whereas this started as an environmental issue, it is quickly becoming an economic issue. The forest industry is fundamentally the carbon industry. A tree is carbon in long chains, and you transform a tree into pulp and paper and wood by adding extra energy.

Our competitors in Europe have long since had government policies to support the integration of bioenergy and bioproducts into the forest industry. In the United States, we see very massive subsidies, perhaps less policy-driven than we see in Europe, but nonetheless there are very massive subsidies around the issue of bioenergy. We would like to suggest to the committee that in addition to the need for muscular, aggressive regulation on the reduction of greenhouse gases, we also need a robust policy framework for the production of green energy and a robust investment regime for the production of green energy within the forest industry.

We recently completed a study in partnership with the Department of Natural Resources and the provinces, asking where this green energy is going to go. Interestingly, from a perspective of an environmental footprint, social footprint, a return on capital employed, the future for energy from biomass in the forest is integrating it into the existing industry infrastructure.

• (1115)

So we actually see a path forward, and we're looking for both policies and investments that will support it.

I think I'll stop there and wait for questions.

Thank you.

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

Mr. McCabe, could you go ahead, please?.

**Mr. Don McCabe (Chairman, Environment and Science Committee, Vice-President of the Ontario Federation of Agriculture, and President of Soil Conservation Council of Canada):** Thank you, Mr. Chairman.

My name is Don McCabe. I'm actually a farmer from south-western Ontario. I have an opportunity here today to bring agriculture's voice to this table. I think it's a very important time for agriculture to be appropriately recognized in these negotiations of policy and moves as we go forward.

I think it's very important that the definition of farmer be looked at in possibly the following manner. Farmers today are more managers of carbon and nitrogen cycles who are producing highest-quality starch, oil, fuel, fibre, and food for worldwide consumers. Therefore, if you're going to start looking how you're going to impact that flow of carbon, there's only one carbon atom on the periodic table, and I happen to be growing green ones. We deal in biological cycles. Those biological cycles are non-source issues.

I am in no position to take on further regulation on a non-point-source pollutant because, as the agriculture sector impacts of any sort of policy would come down, as we've had from initial analysis that we've done once upon a time, we buy it retail, we sell it wholesale, and we pay the trucking both ways. We have no room to move. Therefore, any increased costs for electricity, chemicals, fuel, fertilizer, or lime will be the largest increase that any sector will face.

By the same token, on the other side of the coin, we are very, very much looking for the opportunity to participate in this initiative as a voluntary opportunity for agriculture to establish a new revenue stream in the form of environmental goods and services or offsets.

In Canadian agriculture—according to Environment Canada, the last time I saw the numbers—we're roughly about 8.3% or 8.6% of the issue, according to the national inventory. I round that to 10% for easier figuring. I bring to the committee today the statement that agriculture will be 20% of the solution in the longer term, provided we get the rules right, and we can be higher if the rules are right.

The rules for us mean that mitigation is adaptation. I know this bill is looking at a long-term framework. But for agriculture, mitigation is adaptation. Right now I'm adapting to a beautiful September after a lousy summer that allowed the harvest of soybeans to extend into longer periods. I'm pretty sure I've got some corn that's going to have

birthdays out there into May of 2010 for harvest. It's a similar picture that's unfolding across the country. We have grain still standing and oil seeds still standing in the west and issues in the east also. That is the issue of climate change.

I'm willing as a farmer to take on that risk and do that as my job description. What I'm not willing to take on is unneeded and unheeded policy that does not recognize the special needs of agriculture when we can bring you the opportunities to move forward. So as a biological system you have only two tools that we've seen that you can really look at in managing these issues as you move forward. One is to offer up a cap and trade with offsets system that we would be prepared to work with, from a 1990 baseline, and the Soil Conservation Council of Canada was willing to participate at that time. We are very much involved in wanting to have a cap-and-trade system recognized as we move forward.

The issue of a carbon tax is a complete non-starter for the agricultural sector. It's back to the issue that we have no room to move. Therefore, our carbon tax that's been applied within British Columbia has resulted in \$10,000 being added to the average bill of a greenhouse operator in B.C. It means all the grain that comes out of the west and heads through that province to the port of Vancouver to reach worldwide markets has had a fuel surcharge placed on it within CN and CP. That's felt by the farmers of the west because CN and CP aren't taking that out of their bottom line. They're passing it back in the form of freight transfers to farmers.

Again, look at the cap-and-trade opportunity, because mitigation is adaptation for farmers. We very much have been a leader in having the recognition of agriculture sinks. This is an initiative that will be further pursued within Copenhagen, and agriculture hopefully will be recognized to be a solution as it leads. Canada needs to make sure our voice is heard, because we're the ones who have done the preliminary work and have the opportunity to further that along.

• (1120)

This brings us to the basic premise of research. It's research that has allowed us to get to this state. It is now research that is going to be necessary for us to be able to continue to lead in this vector. As a primary producer, I am benefiting from research today that was initiated ten years ago. I need to see that research continue now in an enhanced manner for Canada to maintain its leadership position in the agriculture sector.

Again, I come back to repeat one more time: Mitigation in agriculture is adaptation for the longer term. As we move forward here, agriculture will be able to assist. We will be able to assist, provided good policy is in place. I will take the risk of weather. I will take the risk of dealing with mother nature. What I will not stand for is the risk of bad policy that does not recognize the opportunities that I bring to the table.

Thank you. I look forward to your questions.

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

We'll go with our seven-minute round, first to the Liberals. Mr. McGuinty, kick us off, please.

**Mr. David McGuinty (Ottawa South, Lib.):** Thank you very much, Mr. Chair.

It's good to see you again, Mr. Lazar. And Mr. McCabe, it's good to see you again as well. Welcome. I don't think we've met before, but maybe we have.

I want to turn to both of you, first off, but I'm asking the same question of every witness who appears on Bill C-311 to start off the round of questioning. Does FPAC or the Canadian Federation of Agriculture have in their possession a Canadian climate change plan that you're working from now in your forest product and agriculture sectors?

You both made repeated calls for a number of elements to be addressed. Do you have in your possession now, 46 or 47 months into Canada's not-so-new government, a plan that you're working from that you are using with your membership, etc.? Do you have a plan? If you do, can you share it with us?

• (1125)

**Mr. Don McCabe:** The components of the plan, if it fits your definition of a plan, Mr. McGuinty, would be the issue that agriculture is 10% of the problem and 20% of the solution, and the fact that we are actively working toward wanting a cap-and-trade system to be recognized for Canadian farmers. That would be the plan of the CFA at this point, to have those principles recognized, and enhanced research opportunity to support those principles.

**Mr. David McGuinty:** Mr. McCabe, I understand the elements that you want to see addressed in a plan. Does the CFA and its extensive membership have in their possession now a Canadian domestic climate change plan?

**Mr. Don McCabe:** Evidently, sir, I am missing the nuances of your words. I would argue that every manager on every farm is going to be looking for their own opportunities to build their own plan at their own scale. Therefore, I would refer to the Soil Conservation Council of Canada working with Agriculture and Agri-Food Canada with software for people to investigate the current issue.

**Mr. David McGuinty:** Mr. McCabe, I take it that you do not have in your possession, nor does CFA, a Canadian national plan put forward by the government, particularly in anticipation of Copenhagen. You don't have a plan. Do you have a plan that the government has given you to take to your membership?

**Mr. Don McCabe:** Now that your question has become clear, no, sir.

**Mr. David McGuinty:** Mr. Lazar, do you have a plan? Is FPAC working from a federal domestic climate change plan?

**Mr. Avrim Lazar:** We certainly haven't had a plan from any governments over the last while. Frankly, we haven't been waiting for government. We haven't waited for regulation. We've simply gone ahead, figured out what has to be done and are doing it. That's where we're at.

**Mr. David McGuinty:** Mr. Lazar, while I've got you, what should Canada's target from 1990 levels be for climate change, GHG reductions, post-2012? What should the target be?

**Mr. Avrim Lazar:** We're already at 60%, so when we see in the bill that it is 80% a million years from now, it doesn't seem overly ambitious for our industry.

We're not talking for the entire Canadian society or the entire Canadian industrial base. Frankly, I cannot tell the government what the numbers should be for the entire Canadian economy, because I don't represent the economy. I haven't access to that kind of data. I can only tell you that for the forest industry, these sorts of numbers are achievable. I can also tell you that for the forest industry, which is suffering from the impact of climate change, we would like to see numbers that are muscular and ambitious and show real intention.

I would also add that sometimes the actual number is like a flag or a symbol, things that people hang on to. What's really important is whether they actually do it and whether doing it actually has an impact on the climate. Having an ambitious number that leads to leakage, for example, that leads to greenhouse gases coming out of Indonesia's forest industry instead of Canada's forest industry, doesn't actually help anything. So it's not the number that's important; it's the details and the design that are important.

**Mr. David McGuinty:** I think that's fair, and I think you've said that repeatedly in your testimony. You said we needed muscular regulations combined with "robust policy frameworks and investment regimes". Do we have muscular regulations and a robust policy framework and investment regime in the country right now?

**Mr. Avrim Lazar:** Not yet.

**Mr. David McGuinty:** Okay. Do you know what it's going to look like?

**Mr. Avrim Lazar:** No. I assume that would be in the knowledge of parliamentarians.

**Mr. David McGuinty:** Shouldn't you know that? Since you represent the FPAC, in terms of where FPAC would be tracking, for example, potential outcomes in Copenhagen and Washington, shouldn't you as the president of FPAC, representing so many billions of dollars of economic activity, have been consulted, have been dealing with the government, had advance notice, been participating, playing a role? Or are you going to be a policy number and design and framework and investment regime taker?

**Mr. Avrim Lazar:** To be fair, we have been talking with the government. One of the things we have said to the government is that designing a system that is cognizant of what the U.S. does so as to not create a border risk for us is very important. There are advantages and disadvantages. Canada's industries—and I speak not just for myself here—have been quick to criticize when things have been done without adequate consultation. We've been quick to criticize the fact that neither past governments nor this government have come out with the business certainty we'd like with a plan, so we're less interested in being critical about what's been done than on just getting on and doing it.

•(1130)

**Mr. David McGuinty:** Here's a really important question for you, Mr. Lazar, which I'd like to finish up with. In all legislative initiatives in the United States that we have seen, the price of carbon in anticipation of 2020 was supposed to peak or is contemplated at peaking at \$30 a tonne. We heard last week from the Pembina Institute, and from TD and others that funded the report, that the government's own plan will be a minimum of \$100 a tonne by 2020, and as high as \$200 if we follow what is now the ENGO target—not the NDP target but the ENGO target. What is the significance of that price differential for your sector? How are your members going to reconcile that kind of differential in price on carbon?

**Mr. Avrim Lazar:** We're planning to sell carbon.

**Mr. David McGuinty:** Is that a good thing for you, then, if the price is higher?

**Mr. Avrim Lazar:** No, it's not, because it's not good for the general economy, and we have to sell into the general economy.

**Mr. David McGuinty:** Can you help Canadians understand how we are to reconcile this carbon differential pricing? We're told there's a North American target, a North American plan. How are we going to reconcile this? How is your sector going to reconcile this?

**Mr. Avrim Lazar:** The short answer is I don't know, but there are three elements to it. One, the price of carbon is not driven by an empty market. It's driven by government policy. So depending upon where government policy goes, it can go up or down. If government policy really squeezes and is muscular, then it's going to be high. If government policy allows more abundance, it's going to be lower. And if government policy comes in sooner, it will be lower because there is more room to adjust. If a government policy comes in later, it's going to be higher because people are going to have to adjust more quickly.

We certainly would prefer to see Canada know where it's going and develop a stance, but the bottom line is that the market is not going to be Canada. The market probably won't even be North America. It will probably be global.

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

Mr. McGuinty, your time has expired.

[Translation]

Mr. Bigras, you have seven minutes.

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Thank you very much, Mr. Chair. I also want to thank the witnesses for their presentations.

Mr. Lazar, you very clearly stated that your industrial sector had significantly reduced its greenhouse gas emissions. You talked about a 60% reduction since the base year of 1990. Furthermore, last week, the Québec Forest Industry Council appeared before a parliamentary committee in order to set targets. Québec also pointed out that its forest sector had significantly reduced its greenhouse gas emissions. In the paper mill sector, it was 41%, which is quite substantial.

Your industries still use 1990 as the base year, which is different from the federal government, which wants to use 2006 as the base year.

If the government decides to use 2006 as the base year and you have significantly reduced your greenhouse gas emissions since 1990, would you not consider that an unfair approach? What are you looking for as compensation if the federal government decides to use 2006 as the base year?

**Mr. Avrim Lazar:** That is a good question. We have always been clear that we would prefer an implementation date, a base year, that goes back as far as possible because we took action before everyone else. The matter of early actions is key because if the government's policies punish those who took action before the regulations came into force, that sends everyone the message that they should not do anything, that they should just wait for the regulations.

[English]

That being said, we could live with 2000. We prefer 1990. It depends on whether inside the regulatory regime there is recognition for early action.

People ask why this is so important. There are two reasons. One is that there's a big fairness issue. If I've caulked all my windows, closed the doors, and done everything that's easy as an early actor, and someone asks me to improve another 20%, I have to buy a new furnace or re-insulate my house. If I've done nothing, I can do all the cheap things. So if you've already acted, and then the regulation comes in without any recognition of that, it costs you more. You are actually financially penalized for your virtue. We don't want that.

Second, there's a public policy reason. I assume, as Canadians, that we want to see as much action done without being forced or paid by government. If all these voluntary actions then turn out to be penalties, what it does is send a signal to people who are behaving responsibly that the result will be disfavour.

•(1135)

[Translation]

**Mr. Bernard Bigras:** The government would say to that that it has included recognition of early actions in the plan it recently set out. I think the government recognizes early actions up to a maximum of 15 megatonnes. So, would you estimate that all your efforts since 1990 add up to 15 megatonnes? Do you think that is enough?

[English]

**Mr. Avrim Lazar:** It appears that this particular approach is being reconsidered, so I'm not going to deal with it. Certainly how cogeneration is treated could provide for us a balance with respect to how early action is treated. If cogeneration is well treated, and biomass neutrality is well treated, there are ways of offsetting the negative impact of having been good citizens early on.

[Translation]

**Mr. Bernard Bigras:** I would like to talk about another issue, carbon sinks. We know that Canada has approximately 10% of the world's forest area. I was reading one of your recent presentations from the World Forestry Congress in Argentina. You said that if we strive to keep our forests healthy, they will trap carbon.

I was also reading the revised plan from 2005, which estimated that by 2012, it would be possible to reduce greenhouse gas emissions by 30 megatonnes by making changes to Canada's current farming and forestry practices. That plan was set out in 2005, and 2012 is coming. Are we able to see where we're at? Are we able to assess the carbon uptake of Canada's forest and agricultural system? The thinking was that by 2012, we would be capable of absorbing 30 megatonnes. Do you know where we're at?

[English]

**Mr. Avrim Lazar:** I'll answer for forestry, and Don McCabe can answer for agriculture.

[Translation]

It is a bit more complicated because of the impact of the pine beetle and the fires. In reality, Canada's forests—I am not talking about those that are not under our management, but in general—are for the first time becoming

[English]

net emitters, because the beetle is eating so much and because we've had these huge fires.

We've been working with the environmental community and the scientists at Natural Resources Canada to ask how we can ensure that our forest operations don't contribute to the problem.

[Translation]

**Mr. Bernard Bigras:** So, are you saying that the lack of action in recent years has seriously compromised efforts to reduce greenhouse gas emissions? Am I to understand that if we had been more aggressive on climate change, your industry would not be experiencing the natural consequences of global warming? I suppose the same goes for Mr. McCabe.

Mr. McCabe, you said that, and I have a hard time understanding...

[English]

**Mr. Avrim Lazar:** Let me quickly answer that, because you're putting a conclusion in my mouth. Would we have liked to see the entire Canadian society, including government and business, act more aggressively on climate change? The answer is yes. Can we blame the pine beetle on successive federal and provincial governments' lack of a regulatory plan? No. We have to admit that climate change is global.

I'll leave it now to Mr. McCabe.

[Translation]

**Mr. Bernard Bigras:** Mr. McCabe, you just told us that you are not in favour of rigorous regulations because of the potential costs to your industry. So you are willing to adapt to the changes. Yet, does the forest sector's situation not tell us that if we do not take action, it will likely cost money and affect farmland? I am having a hard time understanding here. You say that we need money to adapt, but, at the same time, there is no guarantee that it will produce results. Is it not preferable to act now and change farming practices? Of course, it will require an investment in your sector, but, at least, it will ensure that we are contributing to greenhouse gas reductions, which will enhance the sustainability of Canada's farmland.

• (1140)

[English]

**The Chair:** *Monsieur Bigras, votre temps est écoulé.*

Mr. McCabe, if you can give a quick response to the question from Mr. Bigras I'd appreciate it.

**Mr. Don McCabe:** Thank you, Mr. Chairman.

If I recollect properly, the 1990 estimate from Environment Canada for agriculture was 7.3 megatonnes of carbon dioxide being emitted. By 2000, agriculture was negative on carbon dioxide emissions. When you factor in methane and nitrous oxide, we've been holding our own since 1990, so that means we have been finding more innovative ways of doing business and producing more product with less input all the time. Back to my line: we mitigate and adapt at the same time.

So I would argue that agriculture has been doing more than its fair share without recognition and without credit for early action from any government at this point. That is wrapped up in the definition of "business as usual" that comes from a bureaucracy.

The issue at hand is that we have been doing our part on climate change. We need investment in research to continue to do our part on climate change, because we will be adapting for the future tomorrow.

[Translation]

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

[English]

Ms. Duncan, the floor is yours.

**Ms. Linda Duncan (Edmonton—Strathcona, NDP):** Thank you, Mr. Chair.

Thank you, gentlemen, for appearing—and madam.

It's nice to see you, Mr. Lazar. We've been at way too many of these tables without results.

I really appreciated both of your testimonies—very helpful.

Mr. McGuinty asked you some questions, Mr. Lazar, about whether or not you've been consulted. You've probably been following the various processes that are going on—for example, the Commission for Environmental Cooperation. I'm sure you've been involved in that from time to time. The agreement that establishes that commission obligates Canada to provide advance notice and consultation on any policy law initiative.

The latest initiative is the U.S.-Canada clean energy dialogue. Under it the Government of Canada also commits to be in direct communication with Canadians—presumably that includes Canadian industry—on any initiatives they might be working on with the U.S. government.

You said that you haven't been involved directly in the development of regulations, although you have had some consultations on policy development. Are you saying you would appreciate it if your industry sector could be directly consulted on any regulatory regime the government is purportedly developing on its climate change initiative?

**Mr. Avrim Lazar:** Of course we always want to be consulted—and we have been. The minister and the bureaucrats talk to us; you talk to us. Our views are far from secret. We put them out in the newspapers. We've been on television. We've submitted them to Environment Canada. Our views are pretty clear: we want to see a climate regime in Canada that puts us ahead of the curve, is sufficiently aggressive that we won't be subject to border measures in the U.S., prevents leakage that results in production and jobs going elsewhere while the climate is not being protected, and recognizes cogeneration and our early action. We haven't been shy about any of those things.

At the same time, we understand that the government doesn't do policy entirely in consultation, because there are huge trade-offs. Let's be very honest with ourselves here. The entire global economy right now is dependent upon greenhouse gas emissions. What we're talking about is retooling the whole economy. We're an exporting nation. It isn't a simple task to reduce dependence on greenhouse gases when you're in a trading relationship.

**Ms. Linda Duncan:** That's a long answer to a simple question, but thank you.

• (1145)

**Mr. Avrim Lazar:** The answer is yes. Any time they want to, we love to talk to them.

**Ms. Linda Duncan:** My question specifically is have you been specifically consulted on what they have in mind as the target for your sector and what the regulations might look like for the regime?

**Mr. Avrim Lazar:** Yes. The answer's yes.

**Ms. Linda Duncan:** So you know what your—

**Mr. Avrim Lazar:** No. Being consulted and being told is a different thing.

**Ms. Linda Duncan:** So you don't know what the stated target is?

**Mr. Avrim Lazar:** We've been many times asked what would work, what would be useful, what would reduce the cost, and we've many times thought, if people ask what the reduction should be, we say 60% after 1990. We've done it. Eighty percent? We can do it, but then you have to look at the actual detail and see whether or not it makes sense.

**Ms. Linda Duncan:** Anyway, I'd like to credit you for your early action. It's commendable.

I'm also gleaning from your testimony that, similar to the information that I read in a number of reports.... KPMG did a survey some years back of CEOs in major industries, the northeast states air mission management regime did a survey of pollutants, what actually drives the reductions and the shift in investment, and in all cases they've set a regulatory trigger. So am I reading you clearly that you're saying what we need is a clear regime to actually provide the fairness and the cut-off date?

**Mr. Avrim Lazar:** We certainly would like to see a regime. Fairness will only happen if it's global. If we have a regime that's made in Canada—and we want one—and our competitors have no controls on them, it can and will be a problem.

We want to see a regime, but the bottom line is, so far, we actually have seen change driven more by markets than by government.

We're out there in the marketplace advertising our environmental qualities, and that's part of why we've done it.

**Ms. Linda Duncan:** Mr. McCabe, thank you very much for your testimony.

We heard from Dr. Sauchyn. I don't know if you're aware of him, but he's a professor at the University of Regina. He was one of the lead authors in the federal government report on adaptation on climate change. There's a big fat chapter on agriculture, clearly indicating concerns already in the agricultural community about the impacts of climate change on your industry and the need to be considering your needs and what your role might be.

There has been an offset program, including for agricultural offsets in Alberta for quite some time. The reports back by a number of the farmers in that program are that they welcome the money. For example, a farmer who's got a 25,000-head feedlot and 800 hectare farm said he was just paid \$100,000 for the fact that he did low tillage. But his comment has been that while he welcomes the money, he really questions the value of the market.

What's the feeling in your sector about these agricultural offsets? Do you think they should be in place? Do you think they should go back in time and credit those farmers who actually have done low tillage and so forth for a long time?

You spoke about actions taken already by the agricultural sector. In the federal regime, do you think they should be considering credit for actions already taken by farmers who consider the impact on the environment? What should the starting date be?

**Mr. Don McCabe:** The Soil Conservation Council of Canada has on the books a resolution stating that we would be happy to work from a 1990 baseline. The issue of recognizing what pioneers have done, especially in the area of no-till, would reward their actions and also further complement bringing new people on to the system.

With regard to the Alberta system in the aggregate, the Alberta system started mid-2007, roughly July 2007. By the end of 2008 there were 500 million tonnes of offsets created in the province of Alberta. Some 1.5 million of those came from no-till alone.

Using, then, the low price of \$6 a tonne for that—and of course these are sealed contracts, so it's rumour, but anywhere from \$6 to \$15—six times 1.5 million is nine million, but ten is easier to remember. There's \$10 million in farmers' pockets who definitely need that when we are also the ones who are facing the pressures of increased fuel cost, increased electricity, increased everything else, because those greenhouse gas emissions that impact those regulated industries will be passed on to this primary sector.

Therefore that offset that we're being recognized for helps offset that expense that we are feeling already in the precluding of other regulations.

**The Chair:** I'm sorry, Ms. Duncan, but your time has expired.

Go ahead, Mr. Warawa, for a seven-minute round.



• (1150)

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

I thank the witnesses for being here. I've heard most of you before, and it's good to see you back.

Canadians often criticize the previous Liberal government, which was in power for the 13 years from 1993 to 2006, for doing nothing on the environment. We blame them for creating an environmental mess, but, Mr. Lazar, you reminded us that climate change is a global issue and not just a Canadian issue. Thank you for that reminder.

The mountain pine beetle kill occurred not just because the Liberals were not acting on the environment, but also because of a warming climate, a changing climate. On the mountain pine beetle kill, we've heard that it takes a very cold temperature arriving very quickly to kill the mountain pine beetle. I've watched, hoping that we're going to get a very quick, very cold winter.

Last year in British Columbia and Alberta it became very cold very quickly, and it lasted a long time. Did that affect the spread of the mountain pine beetle?

**Mr. Avrim Lazar:** We expected it to have a bigger dampening than what we saw. I'm not an entomologist, so I can't claim to be an expert witness on beetle biology, but the explosion of numbers has led to a change in the biology of the beetle. Its capacity to adapt to changing circumstances has actually increased a lot because of the numbers, so this particular plague has not gone away.

The scientists are pretty consistent on three things. Part of the problem with the beetle is fire suppression. If there weren't so much juicy timber there, they wouldn't do as well, but nobody wants to see huge fires.

It is the traditionally very cold weather in the early fall that kills them off, but partly the scientists are consistent in saying that it hasn't behaved the way they expected.

**Mr. Mark Warawa:** Thank you. It was a curiosity question.

I'm now going to focus on the direction Canada is heading in addressing climate change.

We began the clean energy dialogue after the administrative changes in the United States with the Obama administration. We've been working aggressively toward a new international agreement to deal with climate change and focusing on Copenhagen. Canada has consistently used the target of a 20% reduction by 2020. We've also said that it is important for all the major emitters to be part of the solution, part of the new agreement. The focus is on making sure that China, the United States, and India—all the major emitters—are part of this new agreement. The United States is committing. There are ongoing negotiations as we prepare for Copenhagen.

My question is on the importance of a North American approach. You've said there will be a new global economy, but as Canada enters the negotiations, to protect the Canadian economy, which is interlinked with the American economy, would it be better for us to take a North American approach, as opposed to adopting a stand-alone approach and accepting European targets?

We had some scientists at our last meeting, including Mr. John Drexhage. I shared with the witnesses that I had just come back from

Copenhagen, where we saw \$2.50-a-litre gasoline, a tax of 180% on a new vehicle, and electricity prices six times what they were in Canada. The question to Mr. Drexhage was whether this was the direction we should be going and whether we should be accepting that type of lifestyle. His answer to the question asking basically if we have to become another Denmark and Sweden was, "I think to a large degree yes, we do".

What would that do to our Canadian economy? What would it do to industry if we stood alone, away from the U.S., and accepted Denmark and Sweden targets, with massive increases in taxation? Would that disadvantage Canadian industry? Canadian forestry products are not stand-alone. If the economy is healthy, your industry is healthy. What would it do to the economy in Canada if we broke away from negotiations with the U.S.?

**Mr. Avrim Lazar:** That question is almost as long as some of my answers.

The question of should we stand alone, stand global, or stand with the United States is almost a sort of false dichotomy. Of course our policy has to recognize that the United States is our single largest customer, and we're making a big mistake if we do stuff that gives them an excuse to put in protectionist barriers under a climate change cloak. So we have to be mindful of the protectionist threat from the U.S. We also have to be mindful of the fact that it's really a North American marketplace, especially for forest products. So cap-and-trade systems and measures should be coordinated to the extent possible.

We also should not be totally innocent here and realize that most countries are viewing this both as a regulatory and environmental necessity but also as an economic opportunity inside the climate change adjustment. I'll give you an example. Finland, which is a fairly brilliant nation in its own way, is a global leader both in forest products and Nokia telephones. The Finns' approach now is to have a comprehensive forest products bio-energy and bio-products strategy to make themselves one of the global premier producers in that new opportunity. Not only do they have the policy but they also have the funding to do it. All over Europe you see huge amounts of funding for the transformation into green energy and now we're seeing it popping up all over the U.S. Farm Bill.

So yes, we have to be mindful that we're in a North American marketplace and design our system so that it works within that. Yes, we have to be mindful that we're in a global marketplace and put into place either border or other measures to make sure we don't get the leakage, the jobs go elsewhere, and the greenhouse gases come into the atmosphere anyway.

But also yes, I think we should be self-interested as Canadians and ask whether we should actually have a policy to increase our economic advantage in the world's new competition in bio-energy, given that we have huge capacity in bio-energy. We produce enough bio-energy in our mills alone to replace three nuclear reactors. We're huge producers, and we could go way bigger than that. That's going to require a little bit of European thinking, which is a good policy framework, because you don't want to just buy it, and a little bit of American thinking, which is a heavy investment program, combined into a Canadian way of doing it, which is sort of strategic intelligence and very leveraged funding.

• (1155)

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

We'll go to our five-minute rounds. Mr. Valeriote, you can kick us off.

**Mr. Francis Valeriote (Guelph, Lib.):** Thank you, gentlemen, for appearing before us.

Just so that history isn't completely distorted, I want to remind everyone that from 2002 to 2006 Canada was engaged with the United States in a North American energy dialogue, which was immediately killed upon the Conservatives coming into power. Let's not forget that.

Let's not forget the culmination of our efforts over those 13 years to coalesce public and international opinion on the actual occurrence of global warming. Let's not forget Project Green and all the regulations that were passed in 2005 that were completely dismantled by this government upon coming into power.

Having clarified some of that for the record, I'd like to just say this. Mr. Lazar, you were speaking of credits and offsets, and I'm wondering if you have an understanding of this government's current position on the need for international credits and offsets. As I understand it, they feel that targets can be met without engaging in international credits and offsets, contrary to what I believe was said last week by Mr. Suzuki, the Pembina Institute, and the TD Bank. Can you enlighten us on your understanding of engagement in international credits and offsets?

Mr. McCabe or Ms. Cobden, should you wish to offer your opinion, you're certainly welcome to jump in.

**Mr. Avrim Lazar:** Last time I heard, it sounded as if they were considering international offsets. I suggest that you put that to the Minister of the Environment rather than to the forest industry.

In terms of the role of international credits, I think it's worth noting that 20% of greenhouse gases come from deforestation. One of the brilliant things people are looking at, going into Copenhagen, is actually having a system whereby areas that would have been deforested or could be reforested get credit from industrialized countries for storing the carbon. Certainly if that's part of the scheme, our experience is that it would be very helpful.

I'll just throw in something extra. There's something we could do in Canada that would have an international impact. About 10% of the global supply of wood and paper comes from illegal logs. Our experience with illegal loggers is that they don't sneak back at night and replant trees, so it is a big contributor to deforestation. It reduces

the economics for the responsible players globally. If we had a more robust policy in Canada to trace all fibre back to legal sources, that would also help offset what's happening internationally.

• (1200)

**Mr. Francis Valeriote:** You spoke of the commitment President Obama has made to funding their efforts. I'm wondering if you have made any observations on and comparisons to the adequacy of the funding of this government towards the reduction of global warming.

**Mr. Avrim Lazar:** It's hard to compare, because the U.S. funding seems to crop up—they're going to build a bridge out of corn; they have parts of the Farm Bill; then it's going the other way. We're waiting to see.

I think it's fair to say, and I say it with a fair bit of confidence, that in Canada we have not chosen to fund the transformation to green energy as aggressively as other industrialized countries have. The support for transformation to green energy in Europe and the United States remains quite a bit stronger. Given all the difficulties we're having in the forest industry—and we've been quite clear that we don't think government can save us from those difficulties if they're market-driven—better and more intelligently used funding for integrating bio-energy and bio-products into the industry would change the economics.

When you saw a log, chips come out, and those chips can go into making pulp, making energy, or making chemicals. If you actually have bio-refineries that can use those chips in any one of those three ways, the economics become a great deal more stable. But we're not going to get there without funding, because Europe and the United States are competing. In fact, I'd say that we've gone from an age of increasing global competition to an age of increasing international, between-nations competition. In the forest industry and in the bio-energy business, it is actually competition between nations more than between companies because of the size of the interventions of government.

**The Chair:** Thank you, Mr. Valeriote. Your time has expired. It goes by fast when you're having fun.

Mr. Woodworth, you're on.

**Mr. Stephen Woodworth (Kitchener Centre, CPC):** Thank you very much.

Since Mr. Valeriote has started us setting the record straight, I'll begin by setting the record straight on the fact that under the former Liberal government, carbon emissions in Canada went up 35% above the Kyoto targets. While Mr. Valeriote may wish that the Liberals had had one more turn to finally get it right, regrettably, that just didn't happen.

I'd like to also take a page from Mr. McGuinty and begin by asking each of the witnesses if they are aware of the government's plan, "Turning the Corner", to reduce Canadian emissions by 20% below 2006 levels by 2020. Are you aware of that, Mr. Lazar and Mr. McCabe?

**Mr. Avrim Lazar:** Yes, we've seen it.

**Mr. Don McCabe:** Yes, I am.

**Mr. Stephen Woodworth:** Thank you.

Mr. McCabe, I would like to ask you a little bit about offsets and subsidies. I will begin by asking if you have done any research or are familiar with the proposals for offsets and subsidies being made in the United States that might benefit American agriculture.

**Mr. Don McCabe:** I would be aware of the discussions that are ongoing with the Waxman-Markey bill, and that the Western Climate Initiative, which is a coalition of seven western states, has recognized ag offsets within the discussions that are ongoing there. And that pulls British Columbia, Ontario, and Quebec into those discussions, along with Manitoba.

**Mr. Stephen Woodworth:** Good. Can you tell me, in your view, what would be the consequences if the offsets and subsidies that are included in the American climate change plan were more generous to American agricultural interests than are the offsets and subsidies that we might end up with in Canada, agriculturally?

• (1205)

**Mr. Don McCabe:** I would argue that we are already living that dream, and it's a nightmare on this side of the border because the offset support system that's required for Canada needs to take into credit early action and it needs to recognize what's going on. I've already entered into testimony what the opportunities are being experienced in Alberta, and therefore I'd draw an immediate parallel between the support the American farmer is receiving right now from Washington, D.C. when it comes to general commodity support versus the inadequacy of our current safety net programs here.

I know that's not necessarily the direction you're headed with regard to offsets, but bottom line, I sell in the Chicago Board of Trade. So does every Canadian farmer. Whether they go through Winnipeg, it eventually gets back to Chicago. We cannot afford to continue to ignore the primary sector that feeds everybody.

**Mr. Stephen Woodworth:** To put it another way, would I be correct to say that we can't afford to have an offset or subsidy system that isn't highly harmonized with the American offset and subsidy system, at least when it comes to agriculture?

**Mr. Don McCabe:** Allow me to be clear, sir: the Americans may have subsidies, but in Canada it's support. When you support a Canadian farmer, I'm going to turn around and support my local economy and you're going to have it back quicker than you ever saw it go out.

**Mr. Stephen Woodworth:** My impression is that the Canadian agricultural industry is in the same market and competing with the American agricultural industry. Am I right thus far, at least?

**Mr. Don McCabe:** So far we can agree.

**Mr. Stephen Woodworth:** So if the American climate change plan includes massive subsidies or offsets that benefit American agriculture, and the Canadian climate change plan doesn't have something equivalent, are we not going to run into even more serious problems with the Canadian agriculture industry?

**Mr. Don McCabe:** Allow me to be clear. On October 6, 2009, I believe Minister Prentice was speaking to the Canadian Council of Chief Executives. On that day he stated that North American economic integration requires harmonization and that Canada would set up its own cap-and-trade market, and that this government would phase in measures in alignment with the development of the proposed U.S. system. For that reason, the Soil Conservation

Council of Canada is a member of the industry provincial offset group and working with folks like TransAlta, Shell, and whoever else. We're currently on a conference call. A North American working group proposal is being looked at, because the 49th parallel really only matters to Rand McNally. He needs to know where to draw it. The glaciers didn't recognize it.

**Mr. Stephen Woodworth:** That's right. Do you agree with Mr. Prentice's comments that you just quoted?

**Mr. Don McCabe:** If I didn't, I wouldn't put them in the record, sir.

**Mr. Stephen Woodworth:** Thank you.

**The Chair:** Mr. Woodworth, your time has expired.

[*Translation*]

Mr. Ouellet, you have five minutes.

**Mr. Christian Ouellet (Brome—Missisquoi, BQ):** Thank you, Mr. Chair.

I want to thank both of our witnesses for being here today. I think it is important to talk about forests and agriculture.

Mr. McCabe, in Quebec, agriculture is responsible for 9% of greenhouse gas emissions, and I would imagine that the figure is probably similar for Ontario. So, greenhouse gas emissions from agriculture make up a pretty big chunk. If you had the support you wanted... I think we all agree that such support would create new jobs. If you had more digesters and could better manage manure and biomass, which produce greenhouse gases on farmland, you could do it.

With the proper support, could you achieve the objectives set out in Bill C-311, which is currently on the table? Under that bill, emission reductions would have to hit 25% in 2020 and 80% in 2050, using 1990 as the base year.

[*English*]

**Mr. Don McCabe:** To be clear here, sir, my definition of adequate support is one of policy support first and foremost, that I know where the lines are drawn to work from. From that policy then come the other initiatives that we can draw upon to make the targets that you have proposed in this bill a reality. To make those targets a reality for agriculture means that we remain a non-regulated sector due to our biological nature.

If you really want to hit those targets hard, start giving us the recognition of what we've already done on behalf of the Canadian population and the world population within the agriculture and forestry sectors, because we've been leading on this initiative for a long time. We have processes in place to further that extension, and within that mindset then we need to look at the issue of stackable credits. There's the fact that when I reduce carbon and store it in soils, I have now sequestered that carbon, but I'm going to offer you greater environmental benefits as I move forward. If I do an anaerobic digester, yes, I've destroyed methane, but now I am also reducing the issue of fuel that would have been exhausted in hauling waste out to the field. I've now turned waste into a feedstock. That is the core of what agriculture can do underneath this initiative, and assist in getting to those targets.

But we cannot tolerate further regulation. We just need clear policy direction to reward us for where we've been and where we want to go.

• (1210)

[Translation]

**Mr. Christian Ouellet:** In the past, the lack of regulations really took a financial toll on farmers, as everyone knows. Mr. Lazar has a very clear idea of greenhouse gas reductions in the forest sector. What level of greenhouse gas reductions has Canada's agricultural sector achieved since 1990?

[English]

**Mr. Don McCabe:** I believe a check of the national inventory by Environment Canada will illustrate that we've essentially been holding our own in emissions levels across this country, but I immediately would then factor in the increased production that we have put out underneath that same level of emissions. So that would turn it into an intensity target, which I know is a contentious issue, but the bottom line here is that agriculture again has been leading in finding manoeuvres to cut back. But without proper support as we move forward, we're also at risk of seeing some of these gains lost because we will have no-till soils that may have to be worked in the future just to gain back fertilizer opportunities. Because we have seen such a rapid increase in costs on some of our other fronts, farmers are going to maybe have to do things that they've never contemplated before.

[Translation]

**Mr. Christian Ouellet:** According to a source here, between 1990 and 2004, greenhouse gas emissions rose in the agricultural sector throughout Canada, and that includes a 23% increase in fertilizer use.

Mr. Lazar, I want to ask you a question that I got from the Canadian Council of Chief Executives, of which you are a member, as a major lumber producer. And I quote:

While intensity targets make sense as a means of encouraging Canadian firms to become more efficient without being penalized for growing, the ultimate goal must be to achieve a substantial absolute reduction in emissions of GHGs, in Canada [...].

Do you agree that intensity targets cannot address a structure as large as the lumber industry and that absolute targets are needed?

**The Chair:** Thank you very much. Your time is up, Mr. Ouellet.

[English]

If you could just give a brief response, Mr. Lazar, I'd appreciate that.

**Mr. Avrim Lazar:** Technically, you can get to where we have to go with intensity targets or with absolute targets. It depends on how big they are. So if you have an intensity target that's very *exigent*, we will have an absolute reduction. If you have an absolute reduction target, of course you'll get an absolute reduction. The difference is on the impact: intensity targets give more room for sectors that have growth; absolute targets give more room for sectors that aren't growing. Both can get you to the same place if they're done right, but you can get an absolute reduction if you have large enough intensity. Technically, there is no difference. The impact on who pays for the change is different. We can live with either. Our reductions are pretty

well similar under an intensity or an absolute basis. They're slightly better under intensity.

• (1215)

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

Mr. Watson, you have the floor.

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

Thank you to our witnesses for appearing today.

I want to start with you, Mr. McCabe. You said in your opening statement that agriculture broadly, as a sector, with respect to greenhouse gases, has "held our own", I think is the term you used, since 1990. Can you quantify what that means, using 1990 as a base year for your sector? Are you flat, are you above 1990 still, or are you below 1990 at this point? You talked about early action. I'm interested in knowing, in terms of a measurement, where you'd peg your sector right now.

**Mr. Don McCabe:** I would refer the committee to the national inventory for the absolute figures because I do not have them in front of me today.

But my personal reaction to this is that we've been holding our own. Contrary to the comment I just heard about a 23% increase in greenhouse gas emissions from 1990 to 2004, I would argue that that is possibly the case if you look strictly at nitrous oxide emissions. But if we look at the aggregate of carbon dioxide being sequestered in the soils and methane reductions from livestock, the issue of nitrous oxide may have gone up. But when I do the complete addition across the board, I would state for the record that agriculture is holding its own, if not decreasing.

**Mr. Jeff Watson:** Do you want the sector to have a target of 25% below 1990 or not?

**Mr. Don McCabe:** I want the opportunity to participate in reaching a target that has finally been set, that is clearly defined, and that provides agriculture the opportunity to be an offset provider to a target with clear rules, such that we can introduce market mechanisms to meet that target and put funds into the hands of producers. And Alberta is your prime example of a pilot.

**Mr. Jeff Watson:** With due respect, Mr. McCabe, we're conducting hearings on a bill that has a specific target, which is 25% below a 1990 baseline by 2020.

You said you want good policy. Is this the good starting point for policy? Does your sector want 25% below 1990 or should it be something else?

**Mr. Don McCabe:** When I am not regulated and therefore am not directly impacted by that target, it's very easy for me to offer a statement to that effect.

But I will tell you directly that when you regulate the other sectors, I'm going to feel it, and therefore if you offer me policy direction to recognize what I've done, I'm certainly going to be able to help reach whatever reductions from whatever target level you start from.

I am not going to offer a direct yes or no to your question, sir, because I'm just not knowledgeable enough to do that. But then again, I'm sure there are enough computer models out there that we can play with and then have somebody come in who doesn't have any feel for the natural society in which I work, but can probably run to the CBC and have an article written on what they've just offered.

**Mr. Jeff Watson:** Just to close off, if I can capture the sentiment from the farm field, you feel overregulated without having been properly compensated for all the changes that have been asked of the sector through regulation over recent years. Is that fair enough?

**Mr. Don McCabe:** That would be a statement that applies probably in the broader sense than toward this particular issue before us. But at this point we just need a proper playing field, so I know where to turn to offer Canadians what I can do.

**Mr. Jeff Watson:** It's why you're cost sensitive to any potential further regulations.

**Mr. Don McCabe:** Thank you.

**Mr. Jeff Watson:** Mr. Lazar, just as a quick starting point, I think Mr. Warawa was pointing to some previous testimony by Mr. Drexhage, who talked about the transformation that would have to occur when he was asked a question about whether or not we should be somewhat more like Sweden or Denmark.

You pointed to Finland with respect to your sector. How similar is the Finnish economy, broadly speaking, because obviously we have to consider beyond your particular sector? Is it a fair comparison? I think the question from Mr. Warawa was more pointed to a comparison to our economy. Should we be looking more like Denmark or Sweden? I don't believe we have similar economies, as a starting point. That impacts the question of what the end point should look like and how we get there.

Am I understanding you correctly that in this process of determining where Canada is going, you may be more inclined to see your sector coming out on top than perhaps other sectors in getting there? I think it's a fair question to ask. You're asking the government to make certain policy decisions. There will be some winners and some losers. To get where we're going, that decision has to start with an understanding of what the economy looks like.

I don't know if I'm coming across clearly enough on that. Let me just launch it toward you.

• (1220)

**The Chair:** Mr. Watson, your time has expired.

Mr. Lazar.

**Mr. Avrim Lazar:** We're not looking for our sector to come out on top of other sectors. We're just looking to be able to keep the jobs we have in rural Canada. If you're talking about the trade-off between, say, oil and gas, and the forestry sector, we don't want to be disadvantaged to accommodate oil and gas. We want to make certain that what's done recognizes our position.

The reference to Finland wasn't to say that we should restructure our economy like theirs. We can't and we won't. But we would do well to learn from some of the smart players in global competition that we should enter this not as innocents but with a sense of self-interest as a country. So let's get our greenhouse gases down, and

let's do it in a way that's responsible and aggressive. But at the same time, let's recognize that this creates a marketplace, a global, policy-driven marketplace that has huge implications for jobs for Canadians. In addition to wanting to see the regulatory scheme, we want to see a policy stance that asks where the jobs are and that integrates future employment into the thinking. We think Finland has it right.

**The Chair:** Thank you.

Monsieur D'Amours.

[*Translation*]

**Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.):** Thank you, Mr. Chair.

Mr. Lazar, let's look at the reality of the pulp and paper industry. As you know, my riding is home to a few plants, despite the fact that there are now just two left. We lost a Bowater plant in the Dalhousie region. Fraser Papers in Quebec is a good example of a company that used green energy to make environmental changes. So there is a tendency to look to the future, to renewable energy.

Do you think that the government should do more to channel financial assistance directly to those plants that are willing to use bioenergy or a forest waste-based cogenerator? Indeed, wood can be used to make chips for burning, but forest waste that is not being used can also do the job.

Is your industry heading in that direction, trying to become more green, but with the government's cooperation?

**Mr. Avrim Lazar:** It is critical that the government work with us to bring about these changes, this transformation. We would prefer there to be a global market in which only private companies would compete. But that is a dream, not the reality. In Europe and the U.S., the government is still involved in achieving this transformation. If we want to save jobs at home, if we want to be in the game, we need the government's help. Here is something very interesting: according to a study we did, the future of bioenergy in Canada will involve companies, infrastructures and plants that are currently in existence.

• (1225)

[*English*]

You can't build a bio-energy plant using forest waste and make any money if it's stand-alone. It has to be integrated. There are seven times more jobs when it's integrated into the existing world of lumber, pulp and paper, and forest products than when it's stand-alone. And the environmental footprint is far smaller when it's integrated.

[*Translation*]

There is a real way to protect jobs at home and improve our environmental performance. It depends, however, on a government investment, one that is at least equivalent to that of other governments.

**Mr. Jean-Claude D'Amours:** I am happy to hear you say that, Mr. Lazar. The U.S. government is sometimes criticized for not being proactive, but on this issue, in certain areas, it has been much more proactive than the Canadian government. Just consider black liquor and red liquor, for example, waste. The U.S. government determined that companies could receive a direct subsidy so that they could cut some of their production costs. The problem we have here in Canada is that our plants were not in a position to compete with other plants on a level playing field.

The government created a program to deliver funding, but with certain conditions attached. In the end, the final condition is that paper manufacturers need to have the money to do their own retrofits or environmental improvements. It seems that the industry is always on the hook for making the changes. If it can afford to make the changes, the government might help out. The government should instead be proactive and ask what it can do to help the industry, to help it become greener, to ensure its jobs are protected and pave the way for the jobs of tomorrow, the jobs of a greener economy, all the while, keeping a traditional industry alive, even if it is pulp and paper, even if it is the forest industry. It is a traditional industry that is shifting to a green industry.

Do you agree with that?

**Mr. Avrim Lazar:** Yes, the famous black liquor subsidy in the U.S. is the government's response, and we are very grateful for that response.

[English]

We needed that billion. We would rather have mountains of cash delivered to the door, but having money to invest in our mills is very useful. I don't want to dismiss it. The bottom line is that if we continually wait to see what the U.S. does and then try to react with a program that's a little less generous or a little...

[Translation]

What we need is a Canadian policy on industrial transformation.

[English]

Not the pulp industry, but the pulp, power, and bioproducts industry.

[Translation]

We have policies, but we also need the funding to get it done.

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

Your time is up.

[English]

Mr. Braid, you have the floor.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you very much, Mr. Chair.

Thank you to both of our witnesses for being here this afternoon and for your presentations and testimony.

Mr. Lazar, I'll start with you, if I could, sir.

It's clear that you've made tremendous progress in your industry from a processing point of view—reducing your carbon footprint, reducing greenhouse emissions. From a best practice perspective, in terms of the opportunity to extend some of the work and the progress

you've made to other sectors of the economy, other industries, I'm curious as to whether you've explored that. Have you had discussions? Are there proposals that you might have?

**Mr. Avrim Lazar:** Certainly the concept of switching to waste-based biofuels is being discussed all over the economy. A lot of the biofuel industry has suffered a bit from there not being a full accounting of the greenhouse gas production. If you plant a crop, harvest it, bring it to a processor, create ethanol, and not count the greenhouse gases in the production—and this is allowed by Kyoto, so I'm not criticizing anyone—the overall environmental footprint is not as positive.

Our biofuels are actually waste based. There's very little greenhouse gas production. You'll see, for example, that the captured burn of methane in the agriculture sector is exactly the same concept. Something that would have come out as waste, and methane of course, does 27 times the damage than carbon dioxide. Something that would have come out instead is being used to displace fossil fuels.

To be fair—and I think this applies to the whole economy—this is hard. Let's not pretend there's a switch you can turn and everyone is green, or you take a boy scout pledge and an economy that's totally dependent on greenhouse gas production becomes independent of that. We're all groping. We're all trying to figure out how to do it. It's easy when we're doing policy debates to make it seem either impossible or very easy, but the truth is that all the sectors are trying to find ways. Sometimes it's easier and sometimes it's harder.

•(1230)

**Mr. Peter Braid:** Thank you.

I'm curious to hear your answer to this. Simply put, deforestation contributes negatively to climate change and it increases greenhouse gas emissions. Your processes are very environmentally friendly and sustainable. How do you extend that to the issue of deforestation? What sorts of environmentally sustainable reforestation practices do you have? How do you walk the side of that edge?

**Mr. Avrim Lazar:** We don't walk the edge at all; we're right in the centre of it. Deforestation is a huge contributor to greenhouse gases.

I have to acknowledge that most deforestation is a result of farming, not forestry, because people clear the lands to plant crops to feed their families in developing nations. That being said, in Canada we replant every single tree we take out. The UN recently did a study and concluded that deforestation from forestry in Canada comes out net at zero. I think the UN got it wrong. There is a bit of deforestation because roads aren't always generated as quickly as they should be, but that's basically a rounding error.

Regimes in Canada are partly favoured by the fact that they're provincially owned, and by law we need to regenerate. We've done very well there. I'd remind people that in Canada we still have 91% of our original forest cover after centuries of logging. We harvest less than one quarter of one per cent of the forest each year.

In some ways you could say that replanting is the lowest possible bar. We're now being held accountable, not for just regenerating the forest but for the ecosystem integrity of the forest that returns. Has there been erosion? Has there been an impact on endangered species? Does the forest ecosystem maintain sufficient integrity, not just to be a source of carbon storage but a home for biodiversity? The requirements on us for action become quite a bit more severe than simply regenerating the forest.

**Mr. Peter Braid:** Thank you.

Mr. McCabe, perhaps I could turn to you for my final question. You indicated quite clearly that you would like to see an opportunity for the agricultural sector to participate in a cap-and-trade regime by providing offsets or selling offsets. I think you mentioned, if I heard you correctly, that there's a model or an example in Alberta. Could you elaborate a little bit on that existing model or example?

**Mr. Don McCabe:** The first thing I just want to refute, even though he's a good colleague here from the forest sector, is that in agriculture we don't have any waste; we just have underutilized, underpriced opportunities, and so does he.

Moving to the Alberta system, the Alberta legislation, I believe, is a reaction to wanting to move ahead. This legislation came into effect on July 1, 2007, for firms that were emitting more than 100,000 tonnes of greenhouse gases per year. The system allowed compliance by internal reductions in companies, a \$15-per-tonne payment to a technology fund, and in the area of offsets. So when it comes to the offset arena, in particular, Alberta has, as I mentioned earlier, garnered five million tonnes of offsets through the protocols they have recognized within their system.

Fortunately, agriculture was able to have "no till" recognized there fairly quickly, and they just are in the process of doing other reviews there now to bring in a nitrous oxide reduction protocol. There will be beef feeding protocols. There are issues for anaerobic digesters and all the rest of it. So here are the initiatives that Alberta is putting in place. They actually came and copied work that had been done at a national level to take to Alberta, and then the current federal system chose to copy what Alberta was doing to recognize protocols that were under discussion within the offset guidance documents. They just completed consultation with this government here recently. We are awaiting the opportunity to see where this is going to take us.

• (1235)

**The Chair:** Thank you. The time has expired.

Mr. Hiebert, you get to take the final round.

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** I'll give my time to my colleague, Mr. Warawa.

**Mr. Mark Warawa:** Thank you. It's been very, very interesting thus far.

I'd like to focus on the challenges that are unique to Canada.

Mr. Lazar, you said it's difficult to reduce greenhouse gas emissions when Canada is an exporting country. What's unique in Canada is we have a growing population, as opposed to Europe, where the population is not growing to that extent. We have a fast-growing population, primarily through immigration, so we have more people every year in Canada. We also export substantially, the

United States being one of the major countries that we trade with, and to diversify, the country is also focusing on new trade agreements.

What are those challenges that are unique to Canada that would be different from Europe setting targets with a stagnant population and not exporting, but Canada exporting and a growing population? Is that correct? Are those some of the unique and different challenges that Canada has that are also making it a challenge to accept European targets?

**Mr. Avrim Lazar:** I'm not going to talk about European targets, but let's just talk about what the risks are, and there are risks on both sides.

So let's say we institute a very vigorous regime and it's not instituted elsewhere. What happens is the jobs are exported and the climate is not helped. That's not good. So we would expect, as an exporting nation, that we would take that into account. At the same time, let's say we don't do anything and our customers are doing something. They will not let us in. I'd say that we are at severe risk if we do not take proper measures in Canada on greenhouse gases, defining import barriers both in Europe and the United States, because they won't be willing to let their jobs go for having done the right environmental thing. So I think any nation that integrates the economic consequences—acting early and acting aggressively—will feel a great deal of compulsion to make certain that their workers don't bear the brunt of this because others aren't behaving as responsibly.

**Mr. Mark Warawa:** I'll stop you there. You used two examples, showing two extremes: one doing some very dangerous things to the Canadian economy whereby we would lose jobs, making extreme choices—which is the case with Bill C-311, I believe—and in the other example, doing absolutely nothing. In fact, Canada, through the clean energy dialogue, is moving towards a harmonized approach. We have set 20% by 2020. The United States is adopting very similar targets. In that example, we aren't going to be losing jobs to the U.S., and where it is a harmonized approach, tackling climate change has a North American target.

**Mr. Avrim Lazar:** Certainly we applaud the idea of having it harmonized within North America. We would caution that it's not just the U.S. that we have to pay attention to. It is also Europe and the non-annex I countries.

And let's not pretend that it's a simple piece of policy. It's easy to put a target out there, but it's actually the measures used to implement the target that tell the story, both in terms of whether or not it really impacts the climate and also in terms of the economics.

**Mr. Mark Warawa:** I have one last, very quick question. Are you aware of Canada's commitment to having 90% of our electricity come from clean, renewable sources by 2020?

**Mr. Avrim Lazar:** No, but as long as they pay us a nice premium for electricity from biomass, we're going to applaud it.

**Mr. Mark Warawa:** Thank you.

**The Chair:** Thanks, Mr. Warawa.

Before we kick off our final round, I have a few questions.

I appreciate both organizations being here representing primary sectors in the Canadian economy. I appreciate your talking about the opportunity for a new revenue stream, whether through biofuels or using biomass to replace coal, possibly, in some of the thermal generation electrical plants, and also the whole avenue of carbon sinks.

There has been a lot of talk about cap and trade with offsets or about carbon taxes. A book just put together by the Pembina Institute and the David Suzuki Foundation talks about both. I'm reading that both your organizations prefer to have a cap and trade with offsets rather than a straight carbon tax to price carbon. Is that correct?

• (1240)

**Mr. Avrim Lazar:** No. Our view is that if you just have cap and trade, you're missing a huge number of emissions. Let me give you an example from the forest industry. If you just have cap and trade, the only place where you can get to us is in the mills. That means that the emissions from our trucks, from landfill, from our products—all of that—aren't captured. We believe in cap and trade. We also believe in a carbon tax to catch those things that are not point-source.

The next question is, would you applaud a cap and trade and carbon tax system? The answer is yes, if it's done intelligently, if the detail is right. There are cap and trade systems we would find totally unacceptable and there are ones we would find acceptable, and the case is same with the carbon tax. These binary sorts of choices are not so simple.

**The Chair:** Under those circumstances, though, which one will have the biggest effect on input costs in your industries? In agriculture...and even in forestry you have a huge cost to harvest the timber. Fuel prices are going to go up, possibly electricity prices, and fertilizer prices for sure, especially on the nitrogen side of the equation. So which one has the largest impact?

**Mr. Avrim Lazar:** It depends how you do it. I wish I could give you the answer. You could do a cap and trade with a cap so tight that we could not afford to ship, you could do a carbon tax so high that we could not afford to ship, or you could do some blend of the two that allows economic adaptation.

**The Chair:** You guys haven't decided whether it's \$50 a tonne or \$100 a tonne for the price of carbon. Where is the balancing act? That is one of the questions we have.

**Mr. Avrim Lazar:** The size of the carbon tax has to be set by the government. Do we want to be taxed? No. Do we want to be capped? No. Do we want everyone to do something about climate change? Yes.

Then, when you come to the actual details of it, a little switch here or there changes everything so much. People say cap and trade. Okay, but if the base year is 2010, we're not happy. If the base year is 1990, cap away. The actual details matter so much that it is hard to judge. It's like asking whether we think screwdrivers or hammers are better instruments. It depends where and for what.

But we do know that cap and trade, if it just applies to point emissions, puts all the onus on one part of the economy, whereas a carbon tax spreads it out more. It's hard to see how to do it without having some application of both instruments.

**The Chair:** Mr. McCabe, you talked about offsets and needing to have the offsets in collaboration with cap and trade. Would those offsets be generated through government sources or would it be in the marketplace, through the trade of carbon?

**Mr. Don McCabe:** I believe we can look at Alberta, where the offsets were generated by the private sector in response to a government regulation imposed on certain regulated industries. They went looking for them; the private sector responded.

The Intergovernmental Panel on Climate Change has said in its last studies that if the U.S. price of a carbon dioxide emission were \$20 per tonne, agriculture and forestry could put up a total mitigation potential of 21%. If that were to jump to \$100 per tonne, which I personally think is quite excessive, you'd be looking at 45%.

This comes right back to the comments made already by my colleague here. We would need to know a heck of a lot of detail to be able to fully answer your direct question. But in concept, for agriculture I want to see a cap and trade system with offsets, because if you're going to regulate the point sources that have been identified already in previous plans of governments in Canada since the introduction of the Kyoto Protocol, I know that agriculture is going to face increases. We're not in a position to do so. We need an offset stream to be able to introduce our voluntary bit. A carbon tax is very simple to administer; it's very easy to collect. But it also further erodes agriculture's opportunities, because we have no place to pass it on.

• (1245)

**The Chair:** That's what my next question was going to be. As a primary producer, you have no place to which you can pass it on, because you depend so much on the marketplace to dictate the price of your commodities.

We're heading into Copenhagen. A lot of people are calling Bill C-311 the Copenhagen bill. We've heard some members of the committee talk about the need to harmonize with the United States, but we also heard Mr. Lazar talk about this being a global issue needing a global policy. There has been discussion that countries in the developing world might not need to come to the table right away with the same standards that we in the industrialized world are going to put upon ourselves.

If we do things in Canada, the U.S., and Europe concerning carbon policy and reductions in emissions, and yet places such as China and India do nothing, what is going to happen to food production and to where food comes from in this country, if we aren't on a level playing field with those countries?

**Mr. Don McCabe:** Canada is predominantly an exporting nation in food production and everything else. What I cannot bear is further increases in my costs that I cannot offset in another direction. When it comes to what China and India may choose to do on a political front, Copenhagen is going to answer that.



I finished planting soybeans on May 24 and travelled to Copenhagen on May 25 to take part in negotiations with other countries around a conference table on where the sum of this is at. At the end of the day, all farmers in the world are the same: we're managers of carbon and nitrogen. We're looking for clear policy, because when I came back home, my bean plant didn't care whether the carbon dioxide it just sucked up was from my Chevy or from a Shanghai coal mine.

The bottom line is that targets will be set. Canada is in a leadership position to offer technologies and abilities right now. We need to make sure we go there with the best opportunity to show the world what we can do. We can't afford to lose lock-step on this, because primary sectors are losing more and more all the time without a proper policy front.

**The Chair:** Thank you.

We have about 12 minutes left. I want to give a round to every party. We have four parties here, so we have three minutes each.

Mr. McGuinty.

**Mr. David McGuinty:** Thanks, Mr. Chair, and thank you for opening the door on Copenhagen, although I take exception to some of your assertions; they are so reminiscent of the Republican Party in the United States, Mr. Chair, and in fact they were repeated by the Prime Minister for ten years before he discovered that the science of climate change is rather frightening.

Mr. McCabe and Mr. Lazar, now that we have opened the door on Copenhagen, let me ask you again a couple of pointed questions. What is Canada saying right now about the use of international credits in Copenhagen and in the international round?

Mr. McCabe, you were there. Quickly, can you let us know? What are we saying about the use of international credits?

**Mr. Don McCabe:** My understanding today of the use of international credits is that Canada would limit the amount that would be allowed for compliance within a domestic system. At this point in time, I have to agree with the concept of looking internally, because if I were, for example, Shell or TransAlta or somebody else and I can find it first in my own backyard, that's where I have to do it. I'm influenced best in my own backyard.

**Mr. David McGuinty:** The Canadian Federation of Agriculture is in favour of not having access to international credits. Is that what you're saying?

**Mr. Don McCabe:** You are putting words in my mouth, sir.

What I'm saying is that we need, first of all, for agriculture to be recognized for credit creation in Copenhagen. We're not there yet.

**Mr. David McGuinty:** Okay.

Mr. Lazar, can you help us understand? Mr. Woodworth continues to resurrect the ghost of some plan that's disappeared. Perhaps you can help us understand. Under this former plan, which has evaporated, the regulations were promised three years ago and then they were promised this fall. Now they've been delayed indefinitely by the minister, who is announcing that Copenhagen will fail. Can you help us understand what the price of carbon will be? Have you seen any numbers, metrics, analysis, akin to what we saw last week by two NGOs financed by TD Bank? What will the price of energy

be under Mr. Woodworth's so-called plan? What effects will it have on the price of electricity and energy, not only for your sector but for Canadians? Have you seen a plan?

• (1250)

**Mr. Avrim Lazar:** I think you already asked that question. I'm going to answer the question on international credits instead, because I know you're really interested in that as well. You will remember my last answer to the question, have I seen a plan, which is no.

On international credits, we clearly need access to international credits if we're going to do this globally, because it creates an incentive for developing nations to get on the train of reducing—

**Mr. David McGuinty:** Is Canada saying this in Copenhagen?

**Mr. Avrim Lazar:** I don't know what Canada is saying in Copenhagen. I'm not in Copenhagen. But there is a huge advantage to the Canadian economy to doing as much as we can domestically. Simply buying foreign credits doesn't retool our economy. If we've learned one thing, it is that the sooner you get on with the business of retooling the economy to be less greenhouse-gas dependent, the better off we all are.

**The Chair:** Thank you.

I'm sorry, time has expired.

Mr. Bigras.

[*Translation*]

**Mr. Bernard Bigras:** Mr. Chair, I want to start from a premise put forward by Mr. Warawa, who makes a pretty good case. My comments are mainly aimed at the representatives from the agricultural sector.

Our population is increasing dramatically, as is our consumption, to the point that we have more livestock operations in Canada and an increase in fertilizer use. That is probably why 53% of greenhouse gas emissions in Canada's agricultural sector come from livestock production. So our methods have to change. And we have two tools to do that: regulations and taxation. We could adopt taxation measures.

I know that I am treading on dangerous ground here, but I want to hear your thoughts on environmental conditionality in agriculture, in other words, making support measures in agriculture conditional on good farming practices. For instance, if a farmer opted to use solid manure over liquid manure, it would reduce methane emissions. We could establish measures to deal with manure and promote biomass energy in the agricultural sector.

Would you be in favour of taxation measures that are based on the principle of environmental conditionality with respect to funding for the agricultural sector?

[*English*]

**Mr. Don McCabe:** Let me refer to the Province of Ontario, where a green energy act was just introduced that has put feed-in tariff statements in place for various levels, whether biomass, biogas, wind, solar, or hydro power connections. I would stress that's not a form of taxation; I would say it's a form of opportunity where people now know what the rules are and can choose to comply or not to comply.

Taxation is a hammer that should only be used when you need to do mass collection on non-point sources you can't control. That's why I believe B.C. introduced a carbon tax to go after emissions from a great number of motor vehicles, because they were not going to chase down particular point-source initiatives. In Alberta, while they recognized the issue of point-source initiatives, they were able to work with them to produce a system that would allow the opportunity to bring an agricultural return on offset opportunities.

At the end of the day, if you're going to continue down this road of taxation, please make sure you put it into a research arena that's going to allow the work to continue to increase. If it were not for the research initiatives that agriculture has realized, we would not be seeing, for example, the corn production at the yields we now have, or canola production where we're currently at. Research like this will allow us to do much more with much less land, and thus feed the burgeoning population that's going to occur in this country and the world. I forget the exact estimates from the UN, but by 2050 we're going to have a few more billion people on this earth. Therefore, taxation to shut down an industry is not an initiative I'm willing to support.

• (1255)

**The Chair:** Thank you.

Your time has expired.

Mr. Hyer, welcome to the committee. I'm glad to see you here.

**Mr. Bruce Hyer (Thunder Bay—Superior North, NDP):** Thanks, Mr. Bezan.

I have a very broad question. I only have one question for each of you, and I hope your answers can be short or to the point, and much simpler than the question, because you don't have much time to do it.

My question to each of you is, what is the top thing you would like this and future governments to do? And what's the top thing you don't want them to do? What's the best and worst thing the government can do in the short and long terms to help your industry thrive and grow while controlling greenhouse gases?

**Mr. Avrim Lazar:** It would be a robust, far-seeing policy framework for the integration of bio-energy and bioproducts into the existing industry and an investment program to speed that transformation so we can get there before our competitors do.

**Mr. Bruce Hyer:** What would you prefer the government not do?

**Mr. Avrim Lazar:** I don't want to see the government reacting in a knee-jerk way to what's happening elsewhere, or coming at it long after everyone else, or trying to do it strictly through regulation. This piece-by-piece, ad hoc approach at a time when the global economy is transforming itself to take into account greenness will not give us anywhere near the advantage that a comprehensive, thought through, intelligent strategy will.

**Mr. Bruce Hyer:** Thanks, Mr. Lazar.

Mr. McCabe.

**Mr. Don McCabe:** Allow me to say ditto to my colleague's comments. I would add that recognition of the primary sectors and the role they can play in harnessing this carbon atom on a domestic scale in order to address a world problem will come through proper policy.

**Mr. Bruce Hyer:** What would you like the government not to do?

**Mr. Don McCabe:** It should not tax my agricultural sector at any further level than we're already experiencing, because I have no room to move.

**Mr. Bruce Hyer:** Thank you very much, gentlemen.

**The Chair:** Thank you.

The final question is for you, Mr. Woodworth.

**Mr. Stephen Woodworth:** Thank you.

Mr. Lazar, you said a few things that I thought were eminently sensible. One of them was that there are risks both on the side of adopting too rigorous an approach and an approach that's not rigorous enough. My view is that Bill C-311—which we never seem to talk much about at this committee—is on the very rigorous side, with its target of 25% below 1990 levels. Would you agree with that assessment?

**Mr. Avrim Lazar:** I can only speak for my industry. Frankly, we have exceeded it already, so you'd have to ask other industrial sectors. The assessment of what can be done and how fast is not something you can do from within the forest industry. I can say we've done that a couple of times over, and we plan to do more.

**Mr. Stephen Woodworth:** Does your experience not allow you to make an assessment of the Canadian approach overall?

**Mr. Avrim Lazar:** It would depend upon this bill, and I would say that it shares something with the government's reduction target in that it lacks an actual implementation plan.

**Mr. Stephen Woodworth:** That's another point.

**Mr. Avrim Lazar:** I'm just going to dodge the question, sir.

**Mr. Stephen Woodworth:** Something else you said that I thought made eminent sense was that it's easy to put a target out there, but it's the implementation that counts.

You're aware, of course, that the only thing Bill C-311 does is to put a target out there. Correct?

**Mr. Avrim Lazar:** I read it this morning on the way here to double-check.

• (1300)

**Mr. Stephen Woodworth:** We've spent hours and hours debating targets without discussing implementation measures. Would you agree with me that our time would have been better spent discussing implementation measures?

**Mr. Avrim Lazar:** Actually, I think we have spent most of this time discussing implementation measures, and I have to acknowledge the contribution of the opposition for tabling this bill to remind us that we have to get on with it. I look forward to working with the government in getting on with it.

**Mr. Stephen Woodworth:** Earlier you made a comment that I didn't quite catch. It was something about money going to Indonesia not helping. Did I hear that correctly? I know you were trying to get at a general principle, but could you expand on that, please?

**Mr. Avrim Lazar:** If the overall production of pulp and paper continues to increase, but because of constraints here the production goes to a place that doesn't have constraints, it's not just that we're losing jobs, but also that the greenhouse gases will actually go up. So it has to be done in the context of a national and global regime that accepts the reality of leakage and deals with it—and there are ways of doing that. For example, if we went forward with a green transformation investment program, we could actually become more efficient than Indonesia and out-compete them while reducing our greenhouse gases.

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

The time has expired. It is one o'clock and I know that some of you have other places to be.

I want to thank Mr. Lazar, Mr. McCabe, and Ms. Cobden for coming to committee today and helping us with our study of Bill C-311.

With that, I'll entertain a motion to adjourn.

We have one. The meeting is adjourned.

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