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Chair

Mr. James Bezan

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•(1110)

[English]

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

We will continue our study of Bill C-311. This is meeting number 39. The witnesses we have on today's panel are Dennis Tirpak from the World Resources Institute, senior fellow associate with the International Institute for Sustainable Development. Joining us by video conference from Chicago is Environment Northeast, with Derek K. Murrow, director of policy analysis. From Washington we have Janet Peace, Pew Center on Global Climate Change, vice-president markets and business strategy.

Point of order, Mr. Warawa.

Mr. Mark Warawa (Langley, CPC): The sound system is not working, Mr. Chair.

The Chair: We're good now. I apologize for that.

We'll go with our opening comments. Mr. Tirpak, you're on first, and if you can keep your comments under ten minutes I'd really appreciate that.

Mr. Dennis Tirpak (Senior Fellow, Associate with the International Institute for Sustainable Development, World Resources Institute): Thank you very much, Mr. Chairman, for inviting me to testify this morning.

I'd like to say from the outset that I strongly support the spirit of the bill. You'll see in my testimony that I have included a paragraph from the statement from the Toronto conference on the changing atmosphere that was held in 1988. Very briefly, that statement says that humanity is conducting an unintended, uncontrolled, pervasive global experiment; that the earth's atmosphere is being changed at an unprecedented rate by pollutants from human activity; and that these changes represent a major threat to international security and are already having harmful consequences all over the world. That conference went on to set a target of a 20% reduction in carbon dioxide emissions below 1988 levels by 2005.

Those were heady days in the climate change business, Mr. Chairman. I was a lot younger. We were all a lot younger then. It was an exciting time. Today we appreciate much more how easy it is to call for an ambitious target and how difficult it is to achieve one.

Now, two decades later, we have much less time. Since 1988, global carbon dioxide emissions have risen by approximately 40% and are likely to rise by another 30% by 2030. The prediction we made using global climate models in the late eighties that the Arctic

would warm faster than the rest of the globe has been confirmed. One recent study in *Science* magazine predicted that the Arctic would be free of ice by 2037, a mere 28 years from now. The early forecast we made in those days about the warming effects on forests have been confirmed, and unfortunately, our estimates of deaths from high-temperature events were tragically exceeded in Europe in 2003.

This, then, is the state of the physical world as it moves rapidly through a century that, in the end, may see the most profound changes since man began walking on this planet.

Mr. Chairman, not only are the physical changes occurring, but the political landscape is changing as well. At the last negotiating session of the UNFCCC in Barcelona, the Chinese delegate said very clearly to developed country representatives that they are ahead us, and we need to catch up. In the case of China, it is not just rhetoric. Today China has automobile standards that exceed the recently enacted U.S. standards. They raised gasoline taxes four times this year. They have set a goal of 100 gigawatts of wind by 2020. Their target is to reduce energy intensity by 4% per year. To be quite frank, China wants to be the technology leader of the world, and they're now making PV panels and wind turbines that compete with companies from all over the world. In my opinion, Mr. Chairman, China gets it. They really do.

In my own country, President Obama has also changed the political landscape. His administration has allocated \$80 billion of the stimulus financing to energy efficiency and renewable energy projects. Our Department of Energy is accelerating the introduction of new efficiency standards for appliances. The administration has also accelerated the introduction of efficiency standards for cars to 2016 from 2020. The EPA is moving forward to regulate carbon dioxide emissions from power plants. Twenty-eight states have renewable performance standards that set mandatory targets for the production of electricity from renewable energy.

On the congressional front, our House of Representatives has passed HR2454, the American Clean Energy and Security Act, and the Senate is moving forward to develop a complementary bill. Both bills are aimed at reducing U.S. greenhouse gas emissions to between 17% and 20% below 2005 levels by 2020 and to 83% below 2005 levels by 2050 under a cap. It would also allow for the use of offsets, and they have included performance standards for sources that are not covered by the cap. I would also say that the bill has set in motion a planning process for adaptation in the U.S., and it provides financing for adaptation and efforts to reduce deforestation in developing countries. But even in the absence of this bill, I think the President is intent on using the existing regulatory authority to reduce greenhouse gas emissions.

•(1115)

This, then, is the direction in which two of your major economic competitors are moving and is one of the reasons why I would urge you to consider Bill C-311. While far from comprehensive, I believe it sets in motion a process that would allow Canada to resume its place among countries that are leading the fight against global warming. It would position Canada to become a technology leader and put your economy on a low-carbon pathway.

Let me add just a few comments on the bill itself.

The target of 25% reduction by 2020 from 1990 would be a significant challenge; there is no doubt about that. But if you are to achieve the long-term objective of an 80% reduction by 2050, Canada would need to be ambitious in the first decade, or else it would have to proceed much more quickly in subsequent decades.

If the minister chose to implement the plan through a cap and trade program—and I see that he has flexibility to issue regulations and other means—an important means to control costs would be the use of domestic and international offsets. Adding language to authorize the use of such a measure might be considered.

The bill deals with domestic GHG emissions, but the world expects much more. It expects assistance with regard to adaptation, encouraging technology cooperation, efforts to reduce deforestation. I would urge you to consider or at least not forget the need to address climate change in a comprehensive manner.

Implementation of the provisions also will require financial support. The U.S. ACES bill solves this problem by directing that a portion of the sale of allowances should be used for various activities such as carbon capture and storage. I trust that there is recognition of the financing that needs to accompany such a bill.

Finally, you may wish to authorize the minister to include black carbon in the target plan developed under clause 6. Black carbon is a pollutant that stays in the atmosphere for a relatively short time, but it changes the energy balance of the earth and may play an important role in warming, particularly in the Arctic.

In conclusion, Mr. Chairman, I don't believe the world can delay another decade in its fight against global warming. Canada can't afford to remain coupled to a carbon economy that is rooted in the past. I often hear people say that Canada will not act until the U.S. and others act. Well, I think the U.S. is acting; I think the rest of the world is acting. It's not going to be easy; it's not going to be a smooth transition; it's going to move in fits and starts. We're going to have

conservative governments, we're going to have liberal governments, we're going to have Republicans, Democrats. The atmosphere all over the world will change from time to time in different leadership situations; but in fact I think we're going to move in that direction.

So I believe it is time for Canada to rekindle that spirit that was present in Toronto when I was a lot younger and to join the parade of low-carbon nations—not just join, but lead that parade.

Thank you, Mr. Chairman.

•(1120)

The Chair: Thank you, Mr. Tirpak.

We'll continue with our opening presentations.

Mr. Murrow, if you would, please bring us your opening comments.

Mr. Derek Murrow (Director, Policy Analysis, Environment Northeast): Thank you, Mr. Chair, for the invitation to speak with you today. I'm sorry not to be there in person and I really appreciate the quick work of your team to link me in by videophone.

My name is Derek Murrow. I'm the energy and climate policy director at ENE. ENE is a regional, non-profit environmental research and advocacy group, headquartered in the State of Maine, and we work both at the state, provincial, and federal levels with staff based throughout the northeastern U.S. We also have a cross-border mission and maintain staff in an office in eastern Canada. Leslie Malone from ENE is, I believe, there with you today. I thought I could see her in the audience briefly.

I lead our energy and climate work. I was a representative as an official stakeholder in the development of the Regional Greenhouse Gas Initiative, which is known as RGGI, the first and only mandatory carbon cap and trade program in the U.S. I was the lead author on our policy report, *A Climate Change Road Map for New England and Eastern Canada*, and I also oversee our energy policy work at the state level, which now requires utilities to invest in all cost-effective energy efficiency and is leading to historic new levels of efficiency investment in New England. I also have the pleasure of working closely with policy makers in Washington, D.C. on elements of federal climate and energy legislation.

We think it's true that all politics is local, and we have had the good fortune of working closely in Washington, D.C with Representative Markey from Massachusetts on the House climate and energy bill; with many members of the Senate environment committee from the northeast; with Senators Kerry and Lieberman as they craft what will be the final leadership bill in the Senate; and also with critical swing voters such as Senators Snowe and Collins from Maine and Senator Gregg from New Hampshire.

The recently announced delays in the U.S. Senate timeline, until later this winter or early spring, are clearly not ideal; however, we believe there is a significant level of support for action in the U.S. Congress, as many stakeholders, including importantly business and labour interests, prefer a negotiated legislative outcome rather than facing a patchwork of regional and state rules as well as potential federal EPA regulations under the existing Clean Air Act authority.

I want to highlight that the legislation being considered by the U. S. Congress is complicated and massive. Congress is trying to include almost all of the details of cap and trade in legislation, unlike what you're considering today, and thus there is a lot of debate. Designing and passing legislation of this scope and complexity is extremely hard. It is my sense that members of Congress are focusing primarily on addressing the concerns of their constituents, and it is challenging to focus their attention on issues such as linking or how a North American system can be created and integrated. ENE would like to see a strong collaboration to develop such a North American system, at least with linkage, and we are raising issues of cross-border energy trading, offset design, and the carbon content of fuels in our work in D.C.

While the details of how a U.S. system will play out are not yet known, we know what the major U.S. cap and trade design elements will likely be. ENE believes U.S. and Canadian programs could be linked, assuming the following: one, that both have fixed caps with similar emissions reduction trajectories; two, that all gases, major industrial sectors, and fossil fuels are covered; three, that there are rigorous offset standards; four, that if necessary they have similar price control mechanisms; and finally, fifth, that they produce similar carbon price outcomes. However, until both countries have detailed policy proposals on the table, it is hard to fully judge how likely linkage is, which is both technical and importantly political in nature.

I wanted to draw your attention to two issues that have been key lessons learned from RGGI in the northeast and that we have been spending a lot of time on in Washington, D.C. Both are highlighted in our policy brief, of which we hope you have a copy.

First, we in the northeast and other policy analysts have reached an essential finding that applies to any cap and trade program: energy efficiency should be the primary cost containment tool. I repeat that, because we think it's really critically important: that energy efficiency can be the primary cost containment tool. When a cap is imposed on carbon emissions and energy consumption rises, the program can lead to higher energy costs; however, when the program invests in measures that make buildings and industry more efficient, it helps level demand for energy, putting money back in consumers' pockets at a net savings and driving down the costs of cap and trade significantly.

●(1125)

You will see on page 6 of our policy brief a graph that illustrates the benefits of increased efficiency investments as modelled for the RGGI program. This figure shows projected increases in electricity prices under the RGGI cap, with and without expanded energy efficiency investments. The doubling of efficiency programs has the effect of offsetting most of the carbon price increase in the RGGI case.

The RGGI states have chosen to auction almost 100% of allowances, and the economic and jobs benefits of energy efficiency have led the states to invest a majority of the revenue from auctioning allowances in expanded energy efficiency programs. It is not a small percentage of allowances, but a huge 65% of revenue.

ENE just completed a report examining the macroeconomic effects of expanded energy efficiency investments for the six states in New England. This report, "Energy Efficiency: Engine of Economic Growth", looks at the three dollars consumers save for every dollar invested in energy efficiency programs and finds that as these savings are recirculated and invested in the local economy, the result is actually a six-times to nine-times increase in state GDP for every dollar invested. A summary of this report can also be found on page 9 of our policy brief.

Federal climate bills in the U.S. are recognizing the benefits of energy efficiency and making similar commitments to use carbon dioxide allowance value through the states and through natural gas and, potentially, electric distribution companies to expand investments in energy efficiency. Efficiency investments are an essential way to contain costs and to make our economy more competitive in a carbon-constrained world.

A second lesson learned that I wanted to highlight is that modelling and forecasting are almost always wrong, and in the case of cap-and-trade programs often overpredict costs. RGGI again offers a good illustration of this, which is also consistent with previous experience with the U.S. acid rain and ozone cap-and-trade programs.

When RGGI participants, us included, debated how the underlying modelling should be conducted and what level the emissions cap should be set at, all were in agreement that emissions, all else being equal, were likely to stay stable or rise over time, with carbon prices doing the same. In fact, a change in the relative price of natural gas in relation to coal and oil has driven emissions from northeastern power plants down dramatically. There is as much as a 19% decline. This can be seen in the figures on page 5 of our briefing, which show the decline in RGGI emissions versus the cap and also the change in natural gas prices in relation to other fuels.

If these kinds of market changes and expanded access to lower-carbon fossil resources can occur so quickly with corresponding declines in emissions, just think what the combined effect would be if additional breakthroughs occur in building insulation, solar power, or electric batteries for cars. Modelling is based on what we know today, but we can't predict the kinds of breakthroughs that will occur if there is a carbon market that spurs new innovation and discovery.

Thank you for your time. My colleague Leslie Malone, who some of you may know and who is based in P.E.I., is in the room with you. She and I look forward to being a resource to you today and down the road as you tackle this essential issue.

Thank you.

• (1130)

The Chair: Thank you, Mr. Murrow.

Just so committee members know, Environment Northeast did submit a policy brief and written comments this morning. Unfortunately, we need to have them in both official languages, and they weren't able to be translated in time and circulated. As soon as we have them translated, all committee members will receive the documents.

To continue, we'll have Janet Peace. Could we hear your opening comments, please?

Dr. Janet Peace (Vice-President, Markets and Business Strategy, Pew Center on Global Climate Change): Certainly. Thank you. I appreciate the opportunity to speak with you, Mr. Chairman, members of the committee.

I'm Janet Peace. I'm vice-president for markets and business strategy at the Pew Center on Global Climate Change. For those of you who are not familiar with the Pew Center, we're a non-profit, non-partisan think-tank, if you will, dedicated to climate policy. Our goal is mandatory climate policy in the U.S. and internationally. We work very closely with industry. We work very closely with policy-makers at the federal, state, and international levels. We're funded by the Pew Charitable Trust. We don't take dues from the companies we work with. We are independent in that way.

Let me congratulate you on Bill C-311. It's a very ambitious bill, and I look forward to the day that Canada has a federal climate policy.

I worked in Calgary on climate change for a number of years. I taught at the University of Calgary. And I believe Canada can do this, and that addressing climate change is in Canadians' best interest, as it is globally.

Addressing climate change is essential. The science demands it, industry expects it, the general public is becoming engaged, and policy-makers in the U.S. and globally are considering their options. As has been mentioned before, the U.S. policy agenda has definitely changed. It's changed at the state level. It's changed at the municipal level. Within the last year, as you know, it's changed at the federal level.

You've also heard that we have a bill that's been passed out of the House of Representatives, but I have to say at this stage it would be an understatement to say the U.S. climate policy's in flux. Policy deliberations are ongoing and they seem to change daily at the federal level in Congress, within the administration and its agencies, at the state level, and even at the municipal level. How all these multiple policies will develop and work together is very much still an unknown. Rumours abound, and policy experts everywhere seem to have different takes on possible outcomes.

With that in mind, I'd like to spend the next few minutes giving you my take and that of the organization I represent, our take on U.S. climate policy and where we think this issue stands in light of the upcoming meeting in Copenhagen.

You've heard that clean energy is a signature issue for President Obama, in speech after speech, in appointment after appointment. And as Mr. Tirpak noted, he even committed \$80 billion in clean energy programs in the recent stimulus package. But President Obama can't enact climate legislation in isolation; he has to work with Congress, both the House of Representatives and the Senate, to develop policy that all can support and that he can sign into law.

I'm not going to spend much time on HR2454, because Mr. Tirpak and also Mr. Murrow have spent some time on those things. You know the bill covers 85% of the emissions in the economy and it seeks to reduce emissions 17% below 2005 levels by 2020, and 83% below 2005 levels by 2050.

It's important to note that this bill passed June 26 by a very narrow margin, 219 to 212. Passing of the bill marked the first time that a body of the Congress has passed legislation to regulate greenhouse gas emissions, but it was close: 44 Democrats voted against the bill and only eight Republicans voted in favour.

Now that the House has passed the bill, the Senate needs to act before the bill can be sent to the President. We at the Pew Center do believe it is possible to get an energy and climate bill that includes cap-and-trade enacted in this Congress, but we have to be realistic about the timing. The Senate debate on energy and climate is absolutely, without question, waiting for a health care debate to be finished here in the U.S., and it looks as if the health care debate could extend into the new year. Even if the Senate passes the health care bill, the bill from the House and the Senate has to be reconciled in a conference committee, and that's not likely to happen until early 2010. We've also heard recently that the Senate intends to take up a financial services modernization bill before it takes up the energy and climate bill, and that would delay a climate bill even more.

That doesn't mean that no one is working on climate legislation in the Senate. The energy and public works committee, chaired by Senator Barbara Boxer, recently passed Bill S. 1733 out of its committee. It's commonly called the Kerry-Boxer bill, but notably, it only had Democratic support.

A number of other Senate committees are also actively considering climate legislation. The agriculture committee and the finance committee will have key components to add. Earlier this year the energy and natural resources committee already produced energy legislation that may be complementary to a climate bill. The commerce committee and the foreign affairs committee also have jurisdiction over relevant topics that could be incorporated in the bill.

• (1135)

In addition to this committee work, I think it's very encouraging that Senator Graham from South Carolina, Senator Kerry, and Senator Lieberman have also begun talking about crafting a bill outside of the environment and public works committee process. They believe this will enable a wider bipartisan group of individuals to participate. In this way they're hoping they can ensure there will be the 60 votes necessary to get this bill passed.

Some of you may have seen the op-ed that Kerry and Graham wrote in *The New York Times* in which they basically outlined what they thought this bill would look like. Again, it's a market-based carbon regime. They believe it needs nuclear provisions; financial incentives for carbon capture and storage; a compromise on offshore oil and gas leasing; a border tax consistent with WTO obligations for countries without environmental standards; and a carbon-price floor and ceiling.

What happens with this framework? We hope that it will incorporate the work of the other committees and that it becomes a bill in the new year. We think that it will get debated early in the new year. But given the constraints of other congressional priorities and budget timing, action is most likely going to be March or April. If it happens much later than this we'll run into the 2010 mid-term election cycle, which will make congressional action on climate change even more challenging. It's important to note that there are some out there who say that a bill can't happen in 2010 because it's an election year, but every major piece of environmental legislation that's passed in the U.S. Congress, except for the Clean Water Act, passed during an election year. It's important to realize that this is possible. It will be challenging, and it has to happen probably within the first quarter if this is going to get through this Congress.

There are two things that are critical for an energy climate bill to emerge from the Congress. First, because we can't expect every Democratic senator to vote for an energy climate bill, the bill can pass only with a solid number of Republican votes. Right now even Republican senators with years of leadership on climate change have been reluctant to return to the leadership role. That's because the mood in our Congress right now is deeply partisan. That has to change. We'd have to see a number of Republican senators work constructively with the Democrats and the administration to develop and pass a bill. That's why having Senators Graham, Kerry, and Lieberman work together is so important.

Second, and we think this may be the most important, the Obama administration has to advance a fairly detailed vision for what must be in the bill. They need to generally become more involved in the legislative process, much as President Bush Senior did during his administration in the process of enacting the Clean Air Act amendments of 1990. The President's vision would have to include solid answers to questions like how will key manufacturing industries not be disadvantaged, and how will low-carbon energy technologies such as CCS, nuclear power, and renewables be advanced in this bill? We can see this happening. There is a window of opportunity, and we are hoping for the first quarter of 2010.

Clearly, what the U.S. Congress does on climate legislation has implications for what happens in the December meeting in Copenhagen. In a perfect world, Congress would pass legislation prior to Copenhagen so that the administration could go into the international conference with a clear and concrete negotiating position. Without a law on the books, the administration will be hard-pressed to commit to binding international targets. But as I mentioned, we don't think there's virtually any chance that legislation will be passed in 2009.

We think it is unlikely that the governments will be able to agree to a fully ratifiable treaty in Copenhagen. Instead, we think that a realistic and positive outcome for Copenhagen is a strong interim agreement setting the stage for a ratifiable treaty in 2010. This interim agreement may well include specific political commitments to action by all major emitting countries, mid-term emission targets or ranges for developed countries, and other types of quantifiable action for the major developing countries. It will also likely include pledges for prompt-start finance for developing countries. We believe that the agreement also must outline the fundamental architecture of a new treaty that once concluded will turn these interim political commitments into legally binding commitments.

Core elements that we think are essential in this interim agreement would be ambitious goals—agreeing to the two degrees Celsius, and a framework for mitigation commitments, clearly defining the nature of the mitigation commitments but recognizing the common but differential responsibilities as a core principle through the UNFCCC. We believe it should have support for developing countries. The interim agreement must broadly establish the mechanisms, the sources, and the levels of support to be provided in a final agreement for adaptation, capacity building, and technology deployment, and we think a sound system of verification is critical. The interim agreement must establish basic terms of measurement, reporting, and verification of countries' mitigation actions, and of support for developing country efforts, as called for in the Bali action plan.

• (1140)

To be clear, the ultimate goal is a ratifiable treaty, but at this stage, a two-step approach seems the most promising way to get there. An interim agreement in December that settles certain legal and design issues would be a huge step forward. Governments could then use 2010 to fill in the details and negotiate specific amendments as part of a ratifiable agreement.

I'm pleased to answer questions, and I'll turn it back over to you. Thank you.

The Chair: Thank you, Dr. Peace.

We'll start off with our opening round of questions.

Mr. Tirpak, you used a term in your presentation: black carbon. Could you just enlighten us a little bit on black carbon? What do you see that as being, and what are the main sources of that pollution?

Mr. Dennis Tirpak: Black carbon is a soot that is emitted from power plants that are uncontrolled or diesel engines. It has a relatively short lifetime, in that it doesn't stay in the atmosphere for a long period of time. It is generally not considered a gas, so it doesn't fall under the rubric of greenhouse gases.

It is included in the ACES bill. There is a requirement that the administrator of EPA undertake a study of black carbon and the technologies available to control it, and then it authorizes him to issue regulations to control it.

It's important in the Arctic, in that even in small, small quantities, it changes the albedo of the Arctic, so the Arctic is absorbing a little bit more heat. The ice and snow cover is absorbing a little bit more heat due to that soot, if you will. Eliminating that is something that could be done relatively easily in the short term and could delay the influence of warming on the Arctic.

The Chair: Thank you. I really appreciate that clarification.

Mr. McGuinty, you have the first question, and that's seven minutes.

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

Thank you very much to all three witnesses for being here this morning.

I'd like to ask the first question to all three of you quickly, one that I've been asking of every single witness to appear in the context of

Bill C-311 and to a certain extent in the pre-Copenhagen phase we're in.

Do any of you have in your possession a plan, a climate change plan, from the Government of Canada that is coherent in its reach, addressing the elements you've all three raised independently? Is there a plan in your possession, and can you share it with the committee?

Mr. Tirpak.

Mr. Dennis Tirpak: I do not.

Mr. David McGuinty: Other witnesses?

Mr. Derek Murrow: No, I do not.

Dr. Janet Peace: No, I do not.

Mr. David McGuinty: Thank you for that.

Can I turn very quickly, Mr. Tirpak, to comments you made about China?

Canadians were astonished to hear their Minister of the Environment in New York about three weeks ago chiding, if not publicly lambasting, the Chinese authorities for, in his view—I forget the exact wording—not going far enough, fast enough, not taking on hard commitments.

You presented here this morning evidence that the Chinese are simply saying “We're not waiting. We're in a race and you're behind us.” Can you help Canadians understand just how fast this race is being run? And where are the Chinese authorities going? If you could keep your comments brief, I'd appreciate it.

• (1145)

Mr. Dennis Tirpak: I think the Chinese have been reluctant, up until this point, and this may change in Copenhagen, to commit to—the term of art is “commitments”—legally binding commitments. They are, on the other hand, more than willing to commit to actions. So what I was trying to illuminate in my testimony was that China is acting, and it is acting in a number of ways.

Their gasoline prices, for example now, range from about 95¢ to \$1.10 per litre, well above the U.S. gasoline prices. The tax on the gas guzzler, the large cars, is something like 40%, well above anything we have in the U.S.

So they are prepared to undertake actions. They would like very much to have technology cooperation with countries in the OECD, but they are moving forward.

Mr. David McGuinty: Thank you.

All three of the witnesses, Mr. Chair, have given testimony that is actually really disturbing, in the sense that Canada seems to be now so far behind.

Mr. Tirpak, you talked about this bill, and Ms. Peace as well, about this congressional process under way, which is absolutely extensive. It's a bill, as Mr. Murrow put, that is trying to embrace everything, including the design of a cap and trade system, ultimately pricing carbon, and lots of debates.

Ms. Peace, you told us that the agricultural committees, natural resources committee, foreign affairs committee, and other committees in the American Congress are fully engaged in this race.

Can I go back to something you said, though, Mr. Murrow, that is really concerning? You said that if Canada and the United States were going to have a serious integration on an approach to a continental response to climate change, you would put down a couple of conditions. You said, for example, that the caps have to be fixed in absolute terms, similar between countries. You said all gases sectors, fossil fuels, have to be included. There would have to be offset standards for international offsets and credits, something this Conservative government rejects. There has to be a price control mechanism and a similar carbon price.

How is it possible that Canada is going to find its way through the Copenhagen round of negotiations when the United States is so far ahead in terms of the design of a comprehensive response to climate change and we have gone to Copenhagen now with a blank sheet of paper?

We have nothing going on in Canada. None of these elements of this debate are being put forward in the House of Commons. No committees are being engaged, not even this committee, except through Bill C-311 because we extended the debate.

Can I get your reactions, Mr. Tirpak, Mr. Murrow, and Ms. Peace, to the state of the situation in Canada? Mr. Tirpak?

The Chair: I do ask witnesses to be very brief in their response. Mr. McGuinty has only two minutes left to his time.

Mr. Dennis Tirpak: I'm an outsider in Canada, and I'm reluctant to pass judgment.

I will say that I have observed that the situation in Canada has been very difficult through multiple governments. I'm not sure I really understand enough to be able to comment on why that has occurred, but there was a period of time when Canada really was a leader. It penetrated in many different ways in terms of the leadership positions that it held in international organizations, the scope of its delegates, and it had members from all the key departments in Canada.

I note now that the delegation in Canada is often limited just to the members from the environment department, that people from the aid ministry are not often involved, and other ministries are not involved. This is just as an outsider, but I have a sense that there is a lack of integration.

• (1150)

Mr. David McGuinty: Can I just interrupt one second, Mr. Tirpak?

I'll ask Mr. Murrow, if I could, while there's some time left to respond.

Mr. Derek Murrow: Thank you.

I think it is important to move beyond charters and start talking about the specific policies that could be put in place to achieve the emissions reductions. It would encourage policy-makers to get to that point of thinking through the exact design elements, and you might consider modelling those policies and understanding their

impacts on the economy. I think it is important to move to that point quickly.

The Chair: Thank you.

Your time has expired.

Monsieur Bigras.

[*Translation*]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Thank you very much, Mr. Chair.

I want to thank our witnesses. First of all, I want to reassure them: not all is doom and gloom north of their border, since this afternoon, the House of Commons will vote on a motion asking the government to defend, in light of the Copenhagen Conference, the principles of 2 degrees Celsius and reducing GHG by 25% of the 1990 level, and to provide assistance to developing countries.

I want to thank you for having given us a legislative portrait of the United States. You reminded us that three bills are currently being studied by the House of Representatives or the Senate. I would, however, like to draw your attention to two bills. One includes an import tariff for countries that would fail to meet their commitments to reduce greenhouse gas emissions. I think that the Waxman-Markey bill, which passed last June, sets out a tax that could come into force as of 2020. Furthermore, the second bill that was being studied in the Senate establishes a CO₂ import tax in 2012. Is this approach being considered in the United States? Is it serious? Is this a tool that the Americans could use to convince their partners to reduce their greenhouse gas emissions?

[*English*]

The Chair: Mr. Tirpak, do you want to go first?

Mr. Dennis Tirpak: I think there is a great deal of interest in Congress in ensuring that there's a level playing field among countries. It's coming about in the form of a border tax. There are a lot of ways that border tax provision might ultimately be implemented. It depends on how much discretion is given to the President. It will not be an easy thing to calculate from a technical standpoint, so there may be some obstacles there. But I think it is a serious effort by Congress to try to level the playing field.

The Chair: Dr. Peace.

Dr. Janet Peace: You're absolutely correct. The Waxman-Markey bill has a program for the international reserve allowances required for countries and parties that do not have comparable greenhouse gas regulation. In the Waxman-Markey bill there is no flexibility. It comes into force and is applied to sectors that are considered energy-intensive, trade-exposed. I think that has implications for countries that do not have serious climate legislation.

As Canada is the U.S.'s largest trading partner, it could have implications for Canada. But I have to tell you I fully expect that Canada will have climate legislation. Canada has laid a huge amount of foundation to get there. It has done a lot of work engaging with the public and industry. The national round table has significant recommendations, and many of your provinces are actively engaged in the western climate initiative, the midwest climate accord.

Regional initiatives help lay the ground for a national program, and I do expect Canada will have one. If it had a national program that was considered comparable it wouldn't be subject to this international reserve allowance program, or the border tax measures, as it's commonly referred to.

• (1155)

[Translation]

Mr. Bernard Bigras: Ms. Peace, this leads me to my second question. For a number of years, the central administrations of the United States and Canada have not taken climate change action, although regional initiatives have been implemented in some American states and some Canadian provinces.

What do you think of these regional initiatives which could perhaps even lead to the implementation of an emissions exchange, a cap and trade system? Do you believe that this could be an interesting approach for the states and provinces that truly want to take action in response to climate change?

[English]

The Chair: Madam Peace.

Dr. Janet Peace: I think it's an important foundational piece. I think it's not optimal. It's not optimal for industry to have a piecemeal approach. Now, if every regional program were absolutely consistent.... I have to tell you that the western climate initiative, the regional greenhouse gas initiative, and the midwest climate accord in the U.S. are talking and trying to come up with harmonized rules, because this harmonization is really essential for our cost-effective solution.

So if that's the best you can get, at least it gets you down the road and gets you started, but it is not optimal based on the fact that you have multiple states interacting and multiple sets of rules. It just makes it more difficult, but it doesn't make it impossible.

[Translation]

Mr. Bernard Bigras: If I am not mistaken, a few years ago, the American administration adopted regulations or legislation to ban dirty oil from the oil sands. Its use by the public sector was banned.

Could you tell me whether these regulations are still in force and what is the future of this approach? I don't know whether you know about this, but these regulations were, I believe, adopted in June 2008.

[English]

The Chair: Dr. Peace.

Dr. Janet Peace: Is it low-carbon fuel standards?

[Translation]

Mr. Bernard Bigras: Perhaps the Senate adopted regulations to ban the use of oil from the oil sands by the public sector. Are you aware of these regulations?

[English]

The Chair: Are any of the witnesses aware of these regulations?

Dr. Peace, are you aware of them?

Dr. Janet Peace: Yes, I am.

California actually has a low-carbon fuel standard that it put forward and finalized this past summer.

There was a letter that was sent by Congressman Waxman. His provision was included in another piece of legislation. I don't know if that has been fully implemented at this point.

I think of more direct concern would be the low-carbon fuel standard that California has put forward and which 17 other states have said they will try to implement as well.

The Chair: Ms. Duncan, you have the floor.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): First of all, I want to thank Mr. Murrow for his comment about the need to move on in setting the targets and then to get on with the details. Certainly my party has been pushing for that, to finalize and get this bill that we're reviewing and that you're speaking to today into the House, so that we can get on with the details. Thank you for that comment.

Thank you, all three of you, for participating. I wish we could have a lot more time with you, because of course we have a thousand questions about what's going on in the United States.

I have a question for Dr. Peace and Mr. Murrow. You both mention in your briefs your work on the economic impacts of climate change. The ENE brief talked about that quite a bit, but the Pew foundation also talked about the economic impacts of climate change. I wonder if each of you, starting with Dr. Peace, could talk in a little more detail about the work you've done in showing the pros and cons of acting early on climate change, and what the relative impacts are of business as usual versus timely action.

• (1200)

Dr. Janet Peace: We have done quite a bit of work in looking at the benefits of acting and the costs of inaction, if you will. We have not done a cost-benefit type of analysis. We've looked at those done by others.

We find that climate isn't the easiest to assess with a cost-benefit type of analysis, because the costs are easy, but the benefits are very difficult. They're long-term benefits and many of them are non-market in nature. It's very difficult to put a price tag on frogs, for example, or polar bears. It's harder, but that's not to say that they don't have value, because of course they do have value.

Our work shows that these costs of inaction far exceed the costs of taking action. You can look at any of the modelling of the bills, the Waxman-Markey bill or even the previous bills, and the assessments that I think have merit, the ones that take what I would call reasonable assumptions in their modelling, show that these costs are definitely manageable. That's not to say that there is a positive benefit of taking this action, but rather that the costs are small in comparison to the benefits, and the costs are definitely manageable over time.

It's a difficult proposition to look at with a cost-benefit type of framework. We have been spending some time with the integrated assessment models. Most of these do not factor in the risks of hitting a tipping point within the climate, so we think they undervalue the damage. It's a difficult proposition, but I definitely think that the benefits of taking action clearly outweigh the costs of doing so.

Ms. Linda Duncan: Mr. Murrow.

Mr. Derek Murrow: Thank you. That was a nice summary.

Maybe I'd just highlight a couple of things.

As you get into the details of policy design it's important to recognize that there are some decisions you can make about the framework and also how you finance or invest in different technologies that can really help on the economic development side. I highlighted energy efficiency as one example of that, where you get significant benefits coming back to consumers as you bring the consumption of energy down at the same time as you're bringing CAP into place. There are other design elements that can be extremely helpful, such as offsets design, whether international investments are allowed, those kinds of things.

So there are significant ways to reduce costs. In fact, if you look at some of the U.S. modelling, in some cases you see allowance prices or the cost of carbon rising but GDP impacts going positive as you invest in new technologies and reduce your dependence on foreign sources of energy. So there are significant economic benefits to be achieved.

Ms. Linda Duncan: Thank you.

I have a question again for Dr. Peace. I noticed in your brief that you mentioned your work with the Business Environmental Leadership Council. I had the opportunity of going with the federal Minister of the Environment here to the world business summit on climate change, and they seemed to be very clearly onside, certainly in Europe and the United States.

The British High Commissioner appeared here as well and spoke about the close relationship they have with their business community, who seemed to be onside with early action so that they could get investment opportunities.

Can you elaborate a little bit more about the positions of your Business Environmental Leadership Council and what they're saying?

Dr. Janet Peace: The Pew Center works with 46 mostly Fortune 100 companies. For them to be part of our Business Environmental Leadership Council, or BELC, they have to agree to four core principles. One of those is mandatory climate legislation.

Within our BELC we don't have a framework that specifies what we think that legislation should look like. We work with the companies and we vet all our policy recommendations through the companies, because we want to learn what works in those sectors and what doesn't work. We don't always agree, but we always work with them to figure out what works best in terms of policy and in terms of economics.

Another business group that the Pew Center has been very actively engaged with is the U.S. Climate Action Partnership. That's 26 companies, five major environmental groups, and within this U.S.

CAP, the climate action partnership, we have developed a blueprint for climate action. You can see a lot of that in title III of the Waxman-Markey bill. We're calling for a cap-and-trade program and then complementary measures to incentivize clean technology.

We also have recommendations on cost containment provisions, such as offsets, such as banking. Many of the provisions we've recommended in the blueprint are found in title III of the Waxman-Markey bill.

• (1205)

Ms. Linda Duncan: Under the U.S.-Canada clean energy dialogue, both countries undertake that they will engage their publics. Has the Pew Foundation been engaged by your government?

Dr. Janet Peace: There's the Pew Charitable Trusts, and we're the Pew Center on Global Climate Change. We're two separate groups.

Speaking as the Pew Center on Global Climate Change, we have talked to a number of Canadian representatives about linkage, about different design options, but as official dialogue, we have not.

Ms. Linda Duncan: Your own government either? I would also actually like World Resources Institute to answer that.

The Chair: Thank you, Ms. Duncan.

Let's have a very brief response, Mr. Tirpak.

Mr. Dennis Tirpak: We're also part of the U.S. CAP, along with Pew. I don't know the answer to your question. I'll have to get back to you. Thank you.

The Chair: Okay, thank you very much.

To wrap this up with a seven-minute round, Mr. Warawa, you have the floor.

Mr. Mark Warawa: Thank you, Chair.

My thanks to the witnesses for being here. I also want to thank you for the briefing materials. We find them very helpful. Often we don't get them until we come into the meeting. I got them yesterday and was able to read through them last night.

Mr. Tirpak, in your presentation you highlighted the consequences of climate change all over the world. In the third paragraph of your presentation you referred to the first paragraph of the statement from the Toronto Conference on the Changing Atmosphere, held in 1988. You said:

The conference went on to set a target of 20 per cent reduction in carbon dioxide emissions below 1998 levels by 2005. Those were heady days in the climate change field. Today, we appreciate much more how easy it is to call for ambitious targets and how difficult it is to achieve them.

That was part of the 1993 Liberal red book, a commitment to reduce greenhouse gas emissions. We know that Canada then signed the Kyoto commitment. Of course, we know what happened. The result was that nothing happened on climate change under the previous government.

I would like a comment from each of you on the importance of having a harmonized continental approach as we set targets, as we create a plan to fight climate change. At our last meeting we had witnesses from the EU and the U.K. They have 27 different countries setting a continental target, with the U.K. being one of those 27. It only makes sense to have all the countries on the continent working together to set a common target. This was shared and agreed to by the witnesses at the last meeting.

I am sure you are all aware of the clean energy dialogue that has been taking place since President Obama came and met with our prime minister. There has been ongoing dialogue on climate change and how to have a harmonized approach. Canada has committed to a 20% reduction from 2006 levels by 2020, and similar targets are coming out of the United States.

There is still a lot of work required to get the legislation, but would you agree that because of our interlinked economies we could best approach climate change from a harmonized continental position?

• (1210)

The Chair: Mr. Tirpak.

Mr. Dennis Tirpak: I think it would be helpful to have a harmonized approach. But as we're witnessing, it would be extremely challenging to get our legislative processes moving in harmony. Short of that, if both countries adopted a cap-and-trade bill, or if both adopted regulations and we moved into the implementation stage, a lot could be done to advance toward harmonization.

Mr. Murrow has outlined some of the challenges, particularly in the area of price cap, making sure that both our countries have the same level of stringency for offsets. These are obstacles that would have to be worked through in both countries.

The Chair: Mr. Murrow.

Mr. Derek Murrow: Without a North American government, it would be hard to have exactly the same programs put in place. We strongly agree that there should be some linking. The economies of the U.S. and Canada are so interlinked that we should have some consistency in linking over time.

There will be challenges in aligning the legislative and regulatory processes, but we think that fairly consistent programs, with some technical adjustments, would allow for linking. In the end, we could probably get a political decision on whether or not to allow trading among countries.

Mr. Mark Warawa: Thank you.

Dr. Peace?

Dr. Janet Peace: Canada is the United States' largest trading partner, and as such I think it's really essential that there be linkage between the two programs. However, just to echo what you've just heard, I think it will be difficult for U.S. policy-makers to factor in a

harmonization goal at the same time that they're trying to get something through the Senate and the House.

I think there are so many obstacles here at home that they're focusing exclusively on getting it through our process. Hopefully, at the end of the day we have two programs, a Canadian program and a U.S. program, that can be linked. I think there are only a few elements that actually would keep programs from linking.

Mr. Murrow has identified many of those. I think program rigour is a key issue, if the two programs are not similarly rigorous, having a similar scope of coverage, similar elements, including the price controls and offsets, I think that would make it difficult to link.

I do hope at the end of the day that they can be linked and I think there are ways to do that even with elements that are not exactly alike, through discounting, for example, exchange rate kinds of linkage elements.

Mr. Mark Warawa: Very quickly, Dr. Murrow and Mr. Tirpak, there seems to be a contradiction in your presentations regarding the price of energy. Mr. Tirpak is saying China has it right by raising gasoline prices four times this year and a tax on gas guzzlers. Mr. Murrow, you seem to be talking about dropping prices of energy as you get efficiencies.

Maybe you can answer that through one of the other questions from one of the other people, because I'm out of time, I believe.

The Chair: You are, Mr. Warawa. Thank you very much.

Let's go to our five-minute round. Again, I'd just remind witnesses to please keep your responses very brief and succinct.

Mr. Scarpaleggia, please.

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

It's a very interesting session today. By getting the U.S. perspective on this issue, I think it helps us in our study of this bill and our understanding of the Canadian situation relative to our biggest neighbour.

My question is addressed to Dr. Peace.

How long do you think it would take to create a cap-and-trade system that would be functioning, that would be up and running, in the most optimistic legislative scenario in the United States? Are we talking about one year from today, two years from today, three years from today? Assuming that everything goes smoothly, the two bills in the Senate are reconciled and they're adopted and in the mid-term elections the American people send representatives to the House and to the Senate who are keen on doing something about climate change, how long would it take to get this cap-and-trade system up and running?

•(1215)

Dr. Janet Peace: It's a very good question. I believe there are a number of steps to getting it up and running. The offset portion, for example, will take a bit of time.

I know for certain that much effort is actually ongoing currently. For example, the EPA is looking at offset methodologies, looking at the CDM Executive Board, what's come through there, what's coming out of Canada in terms of.... I believe Alberta has an offset program. So they're looking at what's out there, trying to figure out what works, what doesn't work, in a U.S. context. So people are working on it today.

As to when it actually could be up and running, I believe the earliest that people are suggesting is 2012, and maybe 2013 might be more likely. That's just a best guess, though. I'm sorry I can't give you more specifics.

Mr. Francis Scarpaleggia: That's a good answer. Thank you very much.

My second question is a bit of a follow-up on that, and it's to Mr. Tirpak.

You mentioned in your opening remarks that it was very important for countries like the United States and Canada to have fixed and absolute targets. Am I correct?

Mr. Dennis Tirpak: Yes.

Mr. Francis Scarpaleggia: In Canada, the present government has been promoting the idea of intensity targets for quite a while. This goes to a point you were making, Dr. Peace, about how the two cap-and-trade systems would have to have the same degree of rigour.

Would it be possible to link two cap-and-trade systems, a U.S. and a Canadian cap-and-trade system, if one has fixed targets and the other has intensity targets, like the present government here in Canada is proposing?

Mr. Dennis Tirpak: I think it is possible but very difficult, because obviously an intensity target involves.... The denominator is the GNP, and that is very hard to predict. But I think analysts have looked at it. There are ways to do it, but I think it would be very difficult.

Mr. Francis Scarpaleggia: The point I'm getting at, Mr. Tirpak and Dr. Peace, is that you said a moment ago, Dr. Peace, that in one of the most optimistic scenarios, it wouldn't be until 2012 or 2013 that the U.S. could get a cap-and-trade system up and running. Then, Mr. Tirpak, you're saying that connecting this cap-and-trade system with the Canadian system based on intensity targets would require even more effort. So on this North American system that the government is touting constantly as the magic bullet for the problem of climate change, we could be looking at something in Canada, or on the North American scale, that wouldn't really be functioning for quite a few years.

Mr. Dennis Tirpak: It's probably even more complicated than that, to the extent that almost all other countries in the world are moving in the direction of fixed targets. So if you consider trading with the European Union, you consider linking with Australia, and even possibly Japan in the future, most of those countries are moving in the direction of fixed targets. You really want to promote

ultimately a global carbon market, not just a North American carbon market, and I think that needs to be kept in mind.

The Chair: Thank you very much. Time has expired.

Mr. Woodworth, you have the floor.

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

I'd like to just ask you, Mr. Tirpak, the ACESA plan, the American Clean Energy and Security Act, the Obama plan, do you think that's on the right track?

Mr. Dennis Tirpak: Well, let's separate the two. I think that the President is intent on doing as much as he can with the current authorities that he has. That will, as we say, not be ideal. If we don't get legislation, it will be a piecemeal approach. It will be more complicated for industry to comply. We would have presumably three regional trading systems, perhaps more. I think that the administration will do the best it can under those circumstances. I don't have an estimate on what the emission reductions would be under that scenario.

Personally, my institution is also party to what was U.S. CAP, as Janet was alluding to. There was a very complicated process with industry. It is not what all the environmentalists would want to have in that bill, nor is it what all the industrial companies would want to have. So there was a great deal of compromise that went into the position of U.S. CAP and ultimately found its way into the ACESA bill. It's not perfect.

•(1220)

Mr. Stephen Woodworth: I understand that. We have a similar problem in Canada, in that we have a federal-provincial system, which requires us to negotiate and to compromise among regions. As I understand it, the targets that the bill set are 20% below 2005 by 2020. Is that correct as the preliminary target?

Mr. Dennis Tirpak: It's 17% under ACESA and 20% out of the committee, but that is under the cap. My organization has estimated that with the other provisions that are not capped, you would get between 27% and 32% reductions by 2020. So the capped portion would get you 17%. Those sources that are not capped but yet subject to regulations of one type or another could actually lead to emission reductions between 27% and 32%.

Mr. Stephen Woodworth: How challenging will that be to hit that 17% or 20% cap?

Mr. Dennis Tirpak: I actually don't think it is going to be that challenging, partially because of the use of offsets and it depends on how many offsets come into our system internationally. There is some concern I've heard expressed by the utility companies that there may not be enough offsets in the time period between 2015 and 2020. But overall the cap is, I think, quite doable.

Mr. Stephen Woodworth: Do you think the 20% by 2020 cap is a reasonable compromise, based on all the factors involved down there?

Mr. Dennis Tirpak: I do.

Mr. Stephen Woodworth: Have you studied the Canadian 2007 climate change plan, *Turning the Corner*, which requires a 20% target or cap by 2020—that is, 20% of 2006?

Mr. Dennis Tirpak: I have not.

Mr. Stephen Woodworth: Are you aware that the bill we're studying here today in committee, Bill C-311, contains targets that are significantly more strenuous than that?

Mr. Dennis Tirpak: Yes, I am.

Mr. Stephen Woodworth: Do you think there's a possibility the American and Canadian governments can collaborate in harmonizing the caps and regulations that are currently going through the American legislative process?

Mr. Dennis Tirpak: I doubt that. The American legislative process is on its own track. I can't envision a negotiation between the State Department and the Ministry of Foreign Affairs to bring back caps into the U.S. legislative process. I don't know how it would work in Canada. I just don't understand how that could happen.

Mr. Stephen Woodworth: Is there any reason you could give me why the 20% of 2005 by 2020 target in the U.S. would not be a suitable kind of compromise for Canada to achieve at this time?

Mr. Dennis Tirpak: I think you ought to bear in mind what I just said about the fact that our estimate is that you would get something approximating 30% reduction by 2020 with the U.S. bill. That's something you might want to look at.

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

Monsieur Ouellet, vous avez cinq minutes.

[Translation]

Mr. Christian Ouellet (Brome—Missisquoi, BQ): Thank you, Mr. Chair. I want to thank our witnesses for taking the time to meet with us. Your testimony is extremely interesting.

My question is for all three witnesses. To date, you have talked about harmonizing targets. You have implied that it would be difficult for you to imagine these targets being lower in Canada than in the United States, but the fact that they might be higher would not be a problem for you. In other words, if Canadian targets were much higher, what would happen?

Quebec has much higher targets than Canada. This does not stop it from functioning. If it had much lower targets, this might perhaps undermine Canadian policies. If Canada had much higher targets than the States did, would this cause a major management problem? I understand that this might be important when it comes to the regulations. In your opinion, what would the problems be if Canada had much higher targets than the United States did?

• (1225)

[English]

The Chair: Who wants to go first?

Mr. Derek Murrow: I'll go.

I think it mostly will get down to price. If the allowance prices are significantly different between two countries, I think there will be political hurdles to initiate in trading. One system would essentially significantly reduce the price of another. If you had a situation whereby Canada's targets were significantly more aggressive and importantly all the other design elements led to a much higher carbon price, I think there would be some barriers to trade. You have

to look at the final outcome and what people anticipate the overall program design will look like and what the overall price might be.

Thank you.

Dr. Janet Peace: I completely agree. The issue of price and linkage is really important. If the Canadian price were significantly higher, then what we would see here in the U.S., if buyers would be buying U.S. allowances and significantly bringing up U.S. prices, that would not be politically acceptable on the U.S. side. In the same vein, a huge outflow of Canadian investment into the U.S. to buy these allowances would also not be politically acceptable on the Canadian side. I'm just guessing, but that would be my take on that. I don't think two significantly different prices would be politically acceptable for either country.

Mr. Dennis Tirpak: I don't really have anything to add. I think a lot would depend on how comprehensive the programs were and how they were implemented.

The Chair: You have one minute more.

[Translation]

Mr. Christian Ouellet: I would like to come back to the issue of the difference between the two. You are only attacking one thing: the price per tonne of carbon. However, you have not mentioned the possibility that, with Europe, the rules of the game could be fair. In other words, must we also align ourselves with what is being done in Europe, given that taxes may be imposed there—and it is quite possible that they will be—on products manufactured in countries without the same greenhouse gas emissions reductions targets?

[English]

The Chair: Go ahead, Mr. Tirpak.

Mr. Dennis Tirpak: As you probably know, Europe has put forth two targets. One is a 20% reduction and one is a 30% reduction that is contingent on what the actions of other countries are doing. I don't know the calculus they will use to determine whether they go to 20% or 30%, but I do know that they are looking at the U.S. and whether they are comfortable with the range of efforts that would be made, particularly from today. They are a little less concerned about the historical emissions, or what hasn't happened since 1990, but they would like to be sure that going forward, we're all marching forward together. I think they will also be looking at Japan and Korea and the actions put on the table by China.

It's a calculus that I can't really describe for you, but I do know that's the way they're approaching it.

• (1230)

The Chair: Mr. Calkins, it's your turn.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Mr. Chair.

Thank you very much to the witnesses for being here today.

We've heard a lot of talk from the witnesses here in regard to the fact that the American process and system are quite a bit different. Right now Congress is looking at these bills. There's the House of Representatives bill and there's the Senate bill. We talked at length about the size of these bills. Could you give us any indication of just how large these pieces of legislation are?

Dr. Janet Peace: This is Janet Peace.

I can tell you that the Waxman-Markey bill is over 1,400 pages, and that doesn't include the provisions of the Clean Air Act that are used by reference.

Mr. Blaine Calkins: That's quite interesting, because when I had the chance to read Bill C-311, which is the bill we're currently debating, I actually read it twice in the time it took me to drink a coffee. It's about 13 clauses long, I believe.

Parliament is going through the debate about this bill and trying to set Canada's target levels. We've heard from the European Commission. We've heard from various other outside agencies and NGOs, environmental non-governmental organizations, that have brought testimony here criticizing the Government of Canada's current position, which is to be 20% below 2006 levels by the year 2020, with significantly higher targets for 2050, yet all we have is this exercise of setting targets with no real plan. It sounds as though the United States obviously has some intentions there in the legislative process for a plan.

Maybe somebody would like to help me out with this. If we're going to go as a North American unit, and we've established that we are each other's largest trading partners, and we see what's happening in the European Union, does it make any sense to have different levels of targets for Canada and the United States at a time when the European Union—and Mr. Tirpak has just said this—is looking at what the rest of the world is doing when it decides its own target levels? Would it make any sense at all for Canada to have a go-it-alone approach with Bill C-311, when the American administration is shooting for a target similar to what we announced years before President Obama was elected to office?

Mr. Derek Murrow: May I address the question of the scale of the bills? There's a downside to including all the detail in legislation, a significant downside. The arguments that go on endlessly over small paragraphs, which really should be resolved in a regulatory process, are pretty astounding. There's some appeal to leaving more to regulation, which I think you all should consider. I think the challenges in terms of getting a bill of that scope through the U.S. Congress are very significant, and a regulatory process is a lot more appealing in many ways.

Mr. Blaine Calkins: So are you saying, Mr. Murrow, that the American process has it wrong?

Mr. Derek Murrow: I think they've chosen to have a level of detail that makes it very hard to pass a bill. But the political judgment of policy-makers in D.C. is that they need that level of detail to get buy-in from stakeholders.

Mr. Blaine Calkins: Does anybody else want to comment on my question?

Dr. Janet Peace: I have to agree. I think the level of detail in the bill was essential to get buy-in. At the very last moment 300 pages were added, simply to deal with the issues around agriculture. Having the detail in the U.S. bill, I think the policy-makers who are putting this together feel that is critical to get the votes.

I have to tell you I can't comment on whether or not Canada should go down this route, because, as Mr. Murrow said, there are pros and cons to doing it in this detailed manner.

•(1235)

Mr. Blaine Calkins: That was the précis of my question, but I would like an answer to the question I actually asked.

Given that Canada and the United States have similar economies, the integration of our economies, the integration of the energy sectors, the fact that we share similar climates—although I would argue that Canada is much colder—and taking a look at international competitiveness, would it make any sense for Canada and the U.S. to try having a North American cap-and-trade system? We would get that right, resolved, and make sure our economies and environmental obligations were taken care of before we entered into international agreements or international cap-and-trade systems.

The Chair: I'm going to ask only one of you to respond, since Mr. Calkins' time has expired. Who wants to tackle it?

Mr. Murrow.

Mr. Derek Murrow: I'd be happy to.

I think it does make sense to move forward with specific programs and targets in both countries. It's a little confusing to compare the U.S. and Canada right now. We have a U.S. bill that has specific targets around the cap-and-trade component, which is a portion of the economy, and then really important additional regulations that get you additional emissions reductions. There's also a significant chunk of money set aside for international avoided deforestation funding, which will achieve as much as an additional 10% reduction.

So I think the U.S. proposal is quite aggressive, and it would be good if the U.S. and Canadian proposals, in terms of their total emissions reductions, were similar and aggressive.

The Chair: Mr. Trudeau, it's your turn.

Mr. Justin Trudeau (Papineau, Lib.): Thank you very much, Mr. Chair.

I'd like to follow up on Mr. Calkins' point first of all, and remind everyone here and everyone watching on TV that the only reason we are talking at length about Bill C-311, why we've had as many hearings as we have had, is because the government hasn't provided us with anything to talk about on climate change other than this. We're having to address the entire position of Canada's role in climate change negotiations and our plan for the future around a private member's bill because the government has no plan.

So in our dealing with this, we'd love to be debating the specifics of a detailed plan put forward by the government on climate change, but as we've seen time and time again, there is no plan from the government side. So we make do with what we can, unfortunately.

Now, the one thing that we have heard very often from this government is that we're looking at a continental approach—to try to harmonize, that Canada shouldn't be going at it alone. First of all, that does not recognize the fact that Canada is not similar to the United States in an awful lot of ways. Our economies are very different. Our energy uses are very different. Our production of energy is greatly different. There is very much room for a Canadian approach and not just taking a made-in-U.S. plan.

What concerns me, from our testimony here and our excellent witnesses who are giving us a very appealing look at what is happening in the United States, is that the focus in the United States, in both houses, is very much on their own constituencies. The focus in the U.S. is very much on what the U.S. needs to have happen. So for me, the idea that the U.S. will come up with something that is somehow a good fit for Canada is just completely irresponsible as a position. I very much appreciate your positions, where you've recommended that it would be much easier for Canada to create a plan and the U.S. to create a plan, and then look around the elements of rigorousness, coverage, price controls, as a way of bringing those plans together. I thank you for reminding us of that. And I hope the government here has been paying attention to what you've said about the fact that we cannot simply wait for the U.S., and then make sure that whatever happens could then be imported exactly into Canada. That is irresponsible.

I would like to ask a question, however. In the discussion of what we're doing, on actual movement, targets have come back an awful lot—in international discussions, in our local discussions. How important are targets now, in 2009, and how do they weigh against the need to act immediately, irrespective of targets that we set?

I'd like to hear from each of you on that.

• (1240)

Mr. Dennis Tirpak: I think targets have an important value as you approach a meeting like this, and in fact to some extent Copenhagen can be deemed a success already, in that it has stimulated a great deal of discussion among other countries as to what their targets should be. I have a document that talks about the pledges. I can make it available to the clerk. It was done about two months ago and lays out the different targets. But you know, in the last week we've heard a target come up by Korea, by Brazil. Russia has changed its target. So it has stimulated a lot of discussion within many governments.

That being said, a target without domestic legislation to go along with it is relatively meaningless, as we've seen from experience. So I think to have credibility it has ultimately to be backed up by some legal form in individual countries.

Dr. Janet Peace: I think targets are very important for a number of reasons. Clearly, they focus the discussion, but in even a broader sense, I think long-term targets give folks the certainty that the policy will continue. If you're investing in electricity generation, you want to have that long-term certainty that if you put in your money today, it's going to be worthwhile in the longer term. So long-term targets are critical and they do matter.

That said, short-term targets are what deliver your actual program. You need to know that in 2012 you're taking action, in 2015 you're taking action, and in 2020. I think it's the targets—the interim and the long-term—and verification that you're actually meeting the targets that are really critical.

As Mr. Tirpak noted, if you have targets and no policy, it's not much good. I would add, if you don't have targets, policy, and verification, again, it's not much good. You need to have all three.

Mr. Justin Trudeau: I would ask that this document that Mr. Tirpak mentioned be given to the clerk.

The Chair: Okay, Mr. Trudeau, we'll make sure that it gets circulated.

Mr. Justin Trudeau: Thank you.

The Chair: Mr. Watson, the floor is yours.

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

Thank you, of course, to our witnesses, as we continue our discussion of Bill C-311, an NDP private member's bill.

Mr. Tirpak, thank you for your comment that a target without domestic legislation means nothing. Of course, Bill C-311 proposes a target but no specific pathway. It doesn't propose legislation. So I think we can conclude safely that Bill C-311 ultimately means nothing. I'll leave that as my comment on the record. But I do want to get to the question.

Ms. Peace, I think you and Mr. Murrow were talking about the need to have comparable rigour between Canadian and U.S. systems. I presume there are a number of factors that play into driving the rigour of a system. Would the rigour of a target be one of those determining factors in the relative rigour as well? Could you comment on that?

Mr. Derek Murrow: Yes, it would be.

Dr. Janet Peace: And I completely agree.

Mr. Jeff Watson: Mr. Tirpak, I don't know if you want to respond.

Mr. Dennis Tirpak: Certainly that is one element. I think there are many other elements that go into that consideration.

Mr. Jeff Watson: Regarding the ACES target of 17% below 2005 and the Senate proposal of 20% below 2005, can anybody translate what that would mean in a 1990 baseline for us to compare? The government's 20% below 2006 translates roughly, I think, into a minus 3% in terms of 1990, and Bill C-311 being a minus 25% over 1990.

Does anybody know what the minus 17% and minus 20% over 2005 translate into in a 1990 baseline year?

• (1245)

Mr. Derek Murrow: I would actually refer to World Resources Institute's analysis, which includes both emissions reductions from within the cap and the additional sectors covered in the international emissions reductions, but I believe their estimates are that in 2020 the emissions reduction would be 16% to 22% below 1990 levels under ACES.

Mr. Jeff Watson: Sorry. Let me clarify that again so I understand. Both the capped minus 17% plus additional measures that are non-capped translate into 16% to 22% below. Is that correct? Is that what I am to understand from your answer?

Mr. Derek Murrow: Yes, that is my understanding.

Mr. Jeff Watson: Okay. What does the cap portion translate into?

Mr. Derek Murrow: I don't have that number in front of me.

Mr. Jeff Watson: Okay.

There are a couple of other things.

Oh, we've lost Ms. Peace. Perhaps the other witnesses might be able to answer. This is more of a process question in terms of the U.S. political system. We're talking about the flux around where the policy will ultimately settle.

The House has a bill, the Senate has a bill, and the administration has some sense of where it wants to go with it. Ultimately with the two bills, if there are any outstanding differences they go to a conference between the two Houses to try to resolve this—is that correct?

Oh, we have Ms. Peace back. Let me rephrase the question for her benefit. I don't know if she heard the question or not.

This is more of a process question about the United States, its political system, where you were talking about the flux in determining where they're ultimately going to land with respect to climate change policy.

If the House passes a different bill or has elements that are different from a Senate bill, it then has to go to a process called a conference, if I'm not mistaken.

Dr. Janet Peace: That's correct.

Mr. Jeff Watson: Okay.

I don't know the U.S. system. Is there potential for consensus to unravel, depending on the outcome of the conference process, or is it that once the House and Senate have passed it, we know where the U.S. is going with respect to policy?

I'm just interested in knowing the answer to that question, because obviously I don't know how the system functions over there as well as I do over here.

The Chair: Mr. Tirpak.

Mr. Dennis Tirpak: Yes, it would go to a conference committee. The Senate environment and public works committee started with the Waxman-Markey bill, or the ACES bill, if you will, so that large portions of it are almost identical and would not present problems in a conference. But there obviously would be differences that have to be sorted out, and the result of that conference committee has to go back to the Senate and the House to be ultimately voted on.

The Chair: The last question goes to Mr. Braid. You have five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): I have a total of five?

The Chair: I'll give you all five. You're batting cleanup.

Mr. Peter Braid: Thank you very much, Mr. Chair.

Thank you to all of our witnesses for being here and providing us with an update on the experience and the perspective of the U.S.

Dr. Peace, if I could start with you, I'll perhaps piggyback on Mr. Watson's last question. The bill that's in the Senate, the Kerry-Boxer bill, when is it scheduled to come up for a vote?

Dr. Janet Peace: I think it's important to realize that the Kerry-Boxer bill is one piece of this puzzle, because there is also this initiative that's been started by Graham, Kerry, and Lieberman. They have talked about putting out a framework. There was some

suggestion that the framework would come out before Copenhagen, but now we know that's not going to be the case. We understand there's going to be a framework that comes out after the first of the year.

That framework could include many pieces of the Kerry-Boxer bill. It will likely include many of the pieces from the other committees. For example, Senator Stabenow has a bill on offsets and Senator Baucus also has some provisions he would like to have included.

So our take on it at this point is that there is this independent process that could actually deliver a bill that's separate and distinct from the Kerry-Boxer bill. We think that could happen most likely in the first part of 2010. Again, health care has to conclude, and we know that's not going to be done tomorrow. So they're probably going to be dealing with health care in the first part of the year. Then they've got to do market oversight, and then they'll do the climate change bill. So March, probably, would be our best guess.

• (1250)

Mr. Peter Braid: Continuing with a question for you, Dr. Peace, the Pew Center has obviously done a very good job engaging with the business community in the U.S. Could you explain how you've done that, and how the business community in the U.S. is preparing for the eventual carbon reduction regime, whatever and whenever that may be?

Dr. Janet Peace: Definitely there are leaders out there, and the Pew Center has been engaged with a number of those leaders for our entire existence. When we started, we had 13 companies. Now we have 46, soon to be 47, and that's in our Business Environmental Leadership Council. All those companies have taken meaningful steps towards dealing with climate change, whether it's pushing forward on energy efficiency or whether it's doing in-house training figuring out how to manage their emissions.

Many companies are looking at the opportunities that a low-carbon economy provides. You look at market opportunities, for example, for renewable energy, for energy-efficient appliances, and for being out in front of the curve. We've actually done a number of studies with our companies. One is "Getting Ahead of the Curve". It's actually the name of a report we did. I offer that to you, if you're interested. We're also in the middle of a major project right now looking at corporate energy-efficient strategies. We intend to release that report in April at a major conference in Chicago.

In every case, each company is a little bit different in how it's approaching this, but the key issue is that they're looking at the future and trying to figure out how best to integrate what they do into that future.

Mr. Peter Braid: My final question is to Mr. Tirpak.

Could you elaborate a little bit, Mr. Tirpak, on the power of new and transformative technologies to reduce greenhouse gas emissions and where much of that promise lies?

Mr. Dennis Tirpak: I certainly think there is tremendous opportunity for innovation, but I do think we now have a history that shows that innovation is spurred by regulations, financial incentives, and a variety of different policy measures.

This is what we're seeing now in the world, for example, in the renewables area, particularly in photovoltaics. Because Germany and Spain and the U.S. have had rigorous renewable regulations, if you will, and financial incentives, we have a very vigorous photovoltaic industry in the world that is driving down cost with new technologies. Margins in many companies have fallen for a variety of reasons, but I think we have a good example there where policies have spurred innovation.

Mr. Peter Braid: Thank you.

The Chair: Our time has expired and that wraps up our questioning.

I want to thank all three witnesses for appearing and helping to formulate our report and study of Bill C-311. Mr. Dennis Tirpak, Dr.

Janet Peace, and Mr. Derek Murrow, I do appreciate you taking your time out of your hectic schedules to join us. I want to wish all of you a happy Thanksgiving, which you will be celebrating this week in the United States. As you know, we celebrated ours a month ago, but I hope you enjoy your day off.

With that, we do have a committee motion to discuss that deals with our schedule, which we always deal with in camera. So any people who are in the room who aren't tied to a member of Parliament I ask you to exit the room as quickly as possible so that we may be able to move in camera. With that, we're going to suspend.

[Proceedings continue in camera]

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