



The Role of Government

A REPORT BY DR. MICHAEL MARGOLICK AND ANDREW PAPE

Governments in Canada have done almost nothing to honour the country's commitment to stabilize its greenhouse gas emissions at 1990 levels by the year 2000. Furthermore, government leaders have neither a clear idea of their options for reducing emissions, nor the differing economic consequences of their choices.

REDUCING ENERGY-RELATED EMISSIONS MUST BE AT THE CORE OF CANADA'S strategy on climate change, since about 85% of greenhouse gas emissions result from the production and consumption of fossil fuel energy. Energy-related emissions are growing at a rate of about 1.5% per year, driven by increased fossil fuel production, increasing consumption per capita, and population growth.

The momentum behind continued growth in the use of fossil fuels is difficult to reverse. Resistance to change is inherent in the way energy is used and managed. It is embedded in the long economic lives of things that use or produce energy – power plants, commercial buildings, oil sands projects, and sprawling cities. Change is also discouraged by bureaucratic and jurisdictional issues. Energy use is affected by decisions in virtually all government departments and management responsibility is divided among all three government levels. Alberta and Ontario are the largest emitters, and will be key parties to any national plan. Finally, the market penetration of promising new technologies is hindered by significant commercialization barriers.

Reversing this momentum so that emissions are stabilized or decline is therefore a formidable task. Meeting Canada's commitment to protect the climate requires a complete departure from the current voluntary approach.

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It must be replaced by the development and implementation of a strategic plan involving the coordinated efforts of all levels of government and all the relevant sectors within those governments.

A comprehensive plan has not been adopted largely because of concerns about the economic effects of policies which reduce the consumption of fossil fuels. But much of the analysis around this issue is limited. Conventional economic analysis tends to focus on the absolute size of the economy (GDP), as the main economic indicator, to the near exclusion of employment, distributional or fiscal impacts. Most economic analyses ignore the economic damage from climate change itself and do not count secondary benefits, such as improvements in respiratory health or reduced acid rain. Even without these benefits, a significant proportion of emission reduction opportunities are worth doing anyway.

A strategic plan should include market-based instruments. These encourage behaviour that leads to emission reductions and are likely to work better than those that compel emission reductions directly. Economic instruments that directly act

to change fuel prices, such as taxes or tradeable emission permits, are expected to work better for fuel and electricity producers and at least some large, bulk commodity producers. Energy consumption in smaller firms, government operations and households is not governed to nearly the same extent by energy prices. In these sectors, a mix

of measures, both price-based and sector-specific make sense. Policies in these sectors must also act directly on facilities that use energy, such as commercial buildings, appliances and vehicles.

Canada is not meeting its climate change commitment because it has not taken it seriously. Worse, there is little knowledge among politicians of the range of options for meeting the commitment, and their costs, benefits and distributional consequences. A substantial body of knowledge in energy – its supply, uses and conservation – has

been under development since the OPEC crises of the 1970s. It needs to be extended and applied. This work, and other research, suggests that both the success and economic consequences of meeting a climate change commitment are highly sensitive to how it is done. The future prosperity of Canadians requires that it be done well.

Meeting Canada's commitment to protect the climate requires a complete departure from the current voluntary approach.

David Suzuki Foundation

Finding solutions