



## CANADA AND GLOBAL CLIMATE CHANGE

Most Canadians have a strong but badly outdated self-image of their country as a good international citizen on combatting climate change. Indeed, Canada did play an important part in propelling climate change onto the international agenda, hosting the first major conference on the issue in Toronto in 1988 and playing a leading role in establishing the UN's Intergovernmental Panel on Climate Change. But that was yesterday. We have never matched that initial leadership with concrete action. And the Harper government turned the policy inaction of previous governments into active hostility towards any serious reduction of greenhouse gas (GHG) emissions. The big question now is whether the new Trudeau government can buck that trend.

Today Canada's international reputation on climate change is at a well-deserved rock bottom:

- In 2012, our emissions were up 18% over 1990 levels, the date against which emissions are normally compared. This makes us more or less the worst performer in the industrialized world.<sup>1</sup>
- We are the only OECD country without a clear set of policies to deal with GHG emissions as a whole. Even the US, which has struggled to generate legislation on the issue, has a broader range of policies than Canada.
- We have so far often acted in international negotiations in ways that slow progress. We have often been aligned in practice with Russia, Saudi Arabia and, since the election of Tony Abbott, Australia. No country has won more "fossil of the day" awards in climate negotiations. Canada was the only country to leave the 2009 Copenhagen Climate

Change Conference with a GHG target *weaker* than the one it went in with.

There is currently considerable optimism about the possibilities opened up by the election of the Trudeau government. Even prior to that, the Harper government did in fact submit a stronger target than many anticipated in the run-up to the Paris climate change conference in 2015. But there were still no plans to implement it. After the election, the Trudeau government did leap out of the blocks with efforts to rebuild Canada's active participation in the negotiations, with a flurry of announcements and Minister of Environment and Climate Change Catherine McKenna playing a very active role in Paris. And the outcome of the Paris conference has significantly improved the dynamic of international negotiations, creating momentum and undermining the common arguments that domestic action are irrelevant if other countries are not also moving forward.

**The McLeod Group works to strengthen Canada's contribution to a better world.**

The McLeod Group is made up of professionals with many years of experience in government, civil society and academia, working across the fields of international development, diplomacy and foreign policy. We work with others who value human rights, inclusion, equality and sustainable development to advance Canadian policy and action on international cooperation and foreign affairs.

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Despite these promising shifts in recent months, it is worth remembering what is at stake, not only for the climate but for Canada's place in the world more generally. Canadian intransigence on climate change has had impacts that extend well beyond our international reputation to the economy at large:

- Energy exports, which currently make up 24% of our export earnings,<sup>2</sup> are threatened in various contexts because of our inaction on climate change – from proposed regulations in the EU that will discriminate against oil from GHG-intensive processes (such as the oil sands), to the Obama veto on Keystone XL, in part because of lack of action on emissions in Canada.
- Potential retaliation in the form of border tax adjustments imposed by countries with substantive GHG emissions policies against countries without (both the EU and US have considered this, with Canada a clear target).
- Lost opportunities in clean technology exports: Canadian companies do not have the policy support that exists elsewhere and are not benefiting from the rapid growth in solar and wind technologies. Canada was an early leader in fuel cell technology in the 1980s, but is not even a minor player today, due to lack of policy support.

### Climate Change Financing and Canadian Foreign Aid

Between 2010 and 2012, Canada allocated \$1.2 billion for climate change financing in developing countries. This money, which represented close to 10% of our aid budget over those years, was a contribution to Fast-Start Financing agreed at Copenhagen in 2009 to help developing countries mitigate and adapt to climate change. On the eve of the Paris conference, this commitment was extended, with the announcement of \$2.65 billion of such funding through to 2020.<sup>3</sup>

The bulk of the money, however, went into multilateral funds for private companies in the form of loans. For example, Canada established a \$250 million Canada Fund for the Private Sector in the Americas, and a similar \$80 million fund in Asia. Only a small portion was delivered through grants, towards civil society or through bilateral programming. Even less went towards climate change adaptation. And Canada was among the

smallest providers of financing for adaptation, which is to mitigation as prevention is to treatment.<sup>4</sup> Countries that adapt to change are less likely to need longer-term remedial assistance than those that do not.

As other countries promise additional funding, Canada will be expected to contribute more. Canada has so far pledged \$300 million to the Green Climate Fund, a tiny fraction of what is needed for the global community to reach the \$100-billion target. Furthermore, Canada lacks necessary policy capacity in this area, and Cabinet interest is non-existent. This means that proactively speaking, Canada is doing little, running the risk that a large amount of valuable aid money could be poorly managed in a last-minute pledge.

### What can be done?

The new government has so far done an excellent public relations job. McKenna went to Paris almost as soon as she was sworn into office for preparatory meetings for the December summit, the government made a flurry of announcements (notably the \$2 billion clean energy fund, the promise to end fossil fuel subsidies, and the pledge to introduce carbon pricing across Canada), and she played a highly visible role in the Paris negotiations themselves. This helped build confidence within and outside Canada that there will be a significant policy shift. But translating that into concerted action is no easy matter.

The first thing is for the government to recognize that climate change is an issue where *our foreign policy is really a matter of acting within our borders*. Our capacity to regain our reputation and the economic opportunities that may follow depend on our ability to reverse the upward trend in our emissions and shift towards a low-carbon economy. Foreign policy on climate change is energy policy, transport policy, urban planning and agricultural policy within Canada.

Fortunately, we have a number of jurisdictions within Canada where policies are being developed that hold promise. The disadvantage of a decentralized federation (on this issue at least) is the problem of coordination and the weakness of federal institutions. But the advantage is the possibility of action at different levels.

Here, provinces are leading the way:

- British Columbia introduced a carbon tax in 2008. Emissions have seen a 10% decline in BC in the period 2008-2011 (while the rest of Canada had a 1% decline, mostly because of the recession), with no negative effect on economic growth in the province.<sup>5</sup>
- Ontario introduced a Feed-in Tariff as part of its Green Energy Act in 2009. This has stimulated a rapid rise in the use of solar and wind energy in the province. Ontario's emissions declined 19% from 2005 to 2012.<sup>6</sup>
- Alberta had introduced a carbon-offset system for industry in 2007. The NDP government elected in May 2015 then announced a set of more ambitious policies in November, including a coal phase out and support for renewable electricity, a carbon tax, an emissions limit for oil sands operations and a methane emissions reductions plan.<sup>7</sup>

These provincial policies have the potential to be scaled up to the federal level. Key areas for federal government action include:

- Setting short-, medium- and long-term goals that are credible and consistent with the internationally accepted target to limit warming to 2°C above pre-industrial levels. This would give the country as a whole a set of benchmarks against which to measure progress.
- Setting a carbon price at the federal level, creating incentives for all actors – investors, consumers, producers – to shift to low- or zero-carbon energy sources and to use energy more efficiently.
- Using other parts of the fiscal system to create incentives to shift to low-carbon energy; for example, eliminating subsidies to fossil fuel exploration, development and use; reintroducing and expanding tax credits for home energy efficiency retrofits; discriminating in favour of energy-efficient vehicles; and improving R&D incentives for renewable energy development.

At the same time, the federal government could take the lead in working with provinces, and municipalities:

- Phasing out coal in electricity generation.

Developing a set of goals for a medium-term phase-out of natural gas; and reorganizing the electricity grid to enable this.

- Radically increasing investment in transport infrastructure designed to reduce automobile dependence and increase public transport.
- Reforming planning rules, encouraging greater urban density in order to enable this shift in transport modes.
- Changing building codes to radically improve the energy performance of homes, factories and office buildings.
- Generalizing the Ontario Feed-in Tariff system across the country to enable the rapid uptake of small-scale solar and wind energy operations.
- Working with Alberta and Saskatchewan to aggressively improve the GHG performance of the oil sands.

Finally, Canada could make an important contribution to long-term climate financing by improving on its past “fast start financing” to assist developing countries adapt and mitigate to climate change. This includes:

- Achieving similar levels of climate financing met during the initial “fast start” period by committing \$400 million annually until 2020;
- Achieving a greater balance between mitigation and adaptation interventions; and
- Ensuring that funds really are “new and additional”, and are not made by reallocating existing aid dollars.

Beyond these specific policy ideas, perhaps what is most important is to develop a strategic planning and policy development capacity that can enable Canada to deeply institutionalize climate change within all aspects of policy-making. Transforming the Canadian economy and society away from fossil fuels requires the capacity to monitor continuously the impacts of policies on emissions and to feed the results back into the policy process in an iterative, systematic manner. And, of course, this has to be done in the context of the multilevel character of the Canadian polity. In particular, that provinces hold most of the key policy levers, while the federal level is the only site where overall coordination can occur, so coordination across federal and provincial levels is crucial.

At present, the signs regarding this from the new government are less strong than their promising rhetoric. They are clearly aware of the need for federal-provincial coordination, but the Cabinet Committee on Environment, Climate Change and Energy is poorly designed to carry out this strategic coordination function, lacking key ministers as it does (Finance,

Interprovincial Affairs, and the Prime Minister himself).<sup>8</sup>

Internationally, it will take time before Canada's reputation can be restored. But if Canadians are serious about their desire to be good international citizens, urgent action is needed to set our society and the economy on a path to low-carbon development.

## NOTES

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<sup>1</sup> For evaluations comparing performance in different countries, see Jan Burck, Franziska Marten and Christoph Bals, *The Climate Change Performance Index 2014*. Germanwatch, Bonn. 2013, available at <http://germanwatch.org/klima/ccpi.pdf>. For analysis, see Erick Lachapelle and Matthew Paterson, "Drivers of national climate policy", *Climate Policy*, vol. 13, no. 5, 2013, pp. 547-571. See also "Greenhouse Gas Emissions" *Globe and Mail*, March 24, 2015, [www.theglobeandmail.com/news/national/canadas-provinces-are-taking-the-lead-on-climate-but-should-they/article23583907/](http://www.theglobeandmail.com/news/national/canadas-provinces-are-taking-the-lead-on-climate-but-should-they/article23583907/).

<sup>2</sup> Statistics Canada, "Exports of goods on a balance-of-payments basis, by product", [www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gblec04-eng.htm](http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gblec04-eng.htm).

<sup>3</sup> See "Prime Minister announces investment in climate change action", November 27, 2015, <http://pm.gc.ca/eng/news/2015/11/27/prime-minister-announces-investment-global-climate-change-action>.

<sup>4</sup> See, for example, Brian Tomlinson, *An Assessment of Canada's Commitments to Fast-Start Climate Finance, 2010 to 2012*, AidWatch Canada, October 2013, <http://c4d.ca/wp-content/uploads/2013/10/Briefing-Paper-Assessment-of-Canadas-Fast-Start-Climate-Finance.pdf>.

<sup>5</sup> Stewart Elgie and Jessica McClay, *BC's Carbon Tax Shift after five years: Results*. Ottawa: Sustainable Prosperity, 2013, [www.sustainableprosperity.ca/content/bc%20%99s-carbon-tax-shift-after-five-years](http://www.sustainableprosperity.ca/content/bc%20%99s-carbon-tax-shift-after-five-years).

<sup>6</sup> Environment Canada, <https://www.ec.gc.ca/indicateurs-indicators/default.asp?lang=en&n=BFB1B398-1#ghg4>.

<sup>7</sup> On the carbon offset system, see P.J. Partington, "How Carbon Pricing Currently Works in Alberta", Pembina Institute, 2013, [www.pembina.org/blog/708](http://www.pembina.org/blog/708). For the recent policy announcements, see Government of Alberta, "Climate Leadership Plan", [www.alberta.ca/climate-leadership-plan.cfm](http://www.alberta.ca/climate-leadership-plan.cfm).

<sup>8</sup> See Matthew Paterson, "Moving from good optics to sustained action on climate change", Broadbent Institute, November 26, 2015, [www.broadbentinstitute.ca/from\\_good\\_optics\\_to\\_sustained\\_action\\_on\\_climate\\_change?recruiter\\_id=47](http://www.broadbentinstitute.ca/from_good_optics_to_sustained_action_on_climate_change?recruiter_id=47).