

Hon. Jim Prentice, P.C, M.P.
Minister of the Environment
Terrasses de la Chaudière, 28th Floor
10 Wellington Street
Gatineau, QC
K1A 0H3

August 26, 2009

Minister,

The undersigned organizations working on climate change in Canada are writing to express our serious concern about the proposed federal offset system, as described in a set of draft documents published by Environment Canada in June 2009.

Your recent statements give us confidence that you share our concern that any offset system established in Canada be rigorous and environmentally effective. For example, you stated in June that the offset system “is intended to generate real reductions in greenhouse gas emissions,” and that firms will obtain offsets knowing that “the credits they purchase represent real and verified emission reductions — the gold standard of offset credits.” You also committed that “[e]very offset credit will represent a real and verified emission reduction, equal to the equivalent of one tonne of carbon dioxide.”

These are strong and welcome statements. Unfortunately, we believe that Environment Canada’s current proposal falls very far short of the standard you have set. If it is not strengthened in the weeks to come, it is our opinion that the proposed approach will lead to a massive overstatement of emission cuts under a future federal cap and trade system.

Analysis by environmental organizations has found a series of significant accounting loopholes in the current proposal that would grant offset credits both to “business-as-usual” reductions that would have happened anyway, and to emission reductions that have already been accounted for elsewhere in the government’s climate plan.

These loopholes mean that a future regulatory framework for industrial emissions would deliver fewer reductions in reality than on paper. If these loopholes are not closed, Canada’s actual emissions are likely to miss the targets in the industrial regulations by millions of tonnes.

The net effect is that the environmental benefit of a future Canadian cap and trade system would be significantly overstated, compromising Canada’s ability to meet its national greenhouse gas emission targets.

Ultimately, the federal government will be liable for this outcome, as it is the government that will be required to make good any shortfall in emission reductions with additional measures in order to meet Canada’s targets.

To date, the federal government has given no indication that it would place any limit on firms' use of Canadian offset credits to meet their regulatory obligations. The lack of any limit would maximize the negative effects of the loopholes in the government's current offsets proposal, because firms would be free to comply with their regulatory obligations entirely through domestic offset credits.

Several of our organizations have provided specific recommendations in submissions to Environment Canada that would close the loopholes and address the areas of concern that we have identified in the current proposal. We hope that these recommendations will assist you and your officials as you finalize the offset system in the coming weeks.

If the federal government does decide to allow the use of offset credits as a compliance mechanism in its future cap-and-trade system, we also strongly recommend setting a strict limit on the use of offset credits, so that they make up no more than a small proportion of emitters' required reductions.

Thank you in advance for your attention to this important matter. We would be pleased to discuss these issues with you at your convenience.

Sincerely,

BC Sustainable Energy Association
Conservation Council of New Brunswick
David Suzuki Foundation
Edmonton Friends of the North Environmental Society
Équiterre
ForestEthics
Friends of the Earth Canada
Manitoba Wildlands
Nature Saskatchewan
Pembina Institute
Post Carbon Toronto
Saskatchewan Environmental Society
Windfall Ecology Centre
WWF-Canada