

September 20, 2007

Lawrence Hanson  
Director General, Strategic Policy  
Environment Canada

**Re: Comments to the Minister of the Environment about his Climate Change Plan published on August 21, 2007, pursuant to paragraph 5(3)(a) of the *Kyoto Protocol Implementation Act***

Mr. Hanson:

This letter contains the Pembina Institute's comments to the Minister of the Environment about his Climate Change Plan (hereafter referred to as "the Plan") published on August 21, 2007,<sup>1</sup> pursuant to paragraph 5(3)(a) of the *Kyoto Protocol Implementation Act* ("the Act"). The Appendix to this letter reproduces an extract of Section 5 of the Act for easy reference.

1. Given its clear public commitment to accountability, we are disappointed that the Government waited to face a legal obligation before publishing a climate change plan that quantifies the reductions in greenhouse gas (GHG) emissions expected to result from each of the measures it has announced. A climate change plan cannot be credible or transparent without providing such quantification. Even now, the Plan fails to quantify emission reductions from some measures (see point 7 below) and, for others, provides numbers that are not credible (points 4 and 5).
2. The Plan fails to state anywhere the reference point from which its emission reductions are measured. Reductions can be measured relative to the level of emissions in some past year, such as 1990 or 2005; or relative to a "business-as-usual" projection of future emissions. "Reductions" are strictly meaningless without specifying the reference point. However, it is almost certain that the reductions in the Plan are measured relative to a business-as-usual projection. For instance, this is certainly true for the Plan's expected reductions from regulated targets for heavy industry (p.11), based on earlier analysis by the Pembina Institute.<sup>2</sup> The Plan therefore fails to comply with the Act's requirement (5(1)(b)(ii) that it quantify, for each measure, "the amount of greenhouse gas emission reductions... compared to the levels in the most recently available emission inventory for Canada", i.e., relative to the level of emissions in 2005, as opposed to a future projected level. This failure considerably reduces the transparency of the Plan, because the Government's published business-as-usual projection of future GHG emissions<sup>3</sup> does not adequately break out emissions from different sectors, and, while it projects emissions for 2010, it does not do so for 2011 or 2012.

<sup>1</sup> Environment Canada (2007), *A Climate Change Plan for the Purposes of the Kyoto Protocol Implementation Act 2007*.

<sup>2</sup> Bramley, M. (2007), *Analysis of the Government of Canada's April 2007 Greenhouse Gas Policy Announcement*, Table 3 (p.7), Pembina Institute, available at <http://climate.pembina.org/pub/1464>.

<sup>3</sup> Natural Resources Canada (2006), *Canada's Energy Outlook: The Reference Case 2006*, p.141, available at <http://www.nrcan.gc.ca/com/resoress/publications/peo/peo2006-eng.pdf>.

3. As expected from earlier public statements by the Government, the Plan makes clear that the government has “rejected” (p.8) the scenario in which sufficiently strong domestic policies, combined with some purchase of international emission credits, would allow Canada to meet its Kyoto target for national GHG emissions in 2008–12. The Plan is also silent on whether, after failing to meet Canada’s Kyoto target, the Government intends to accept the Kyoto Protocol’s penalty provision – to make up Canada’s shortfall in emission reductions, multiplied by a factor of 1.3, after 2012. In addition, as shown in point 8 below, the Plan fails even to clearly meet the Government’s own, much weaker near-term target, which is to stop the growth in Canada’s emissions “as early as 2010 and no later than 2012” (p.9). The Plan therefore fails to comply with the Act’s requirement (5(1)(a)) that it include “a description of the measures to be taken to ensure that Canada meets its obligations under Article 3, paragraph 1, of the Kyoto Protocol”, i.e. its Kyoto target.
4. The Plan’s expected emission reductions from regulated targets for heavy industry in 2010–12 (p.11) are not credible because they fail to take account of the fact that, under the Government’s Regulatory Framework for Air Emissions, industry will be allowed to comply with those targets largely by using “compliance options” that will not correspond to immediate emission reductions. In particular, industry will be provided with an “early action credit” without having to secure any new emission reductions, and will be allowed to make payments into a technology fund in lieu of reducing emissions. The Plan states (p.11) that investments made by this fund “are likely to reduce greenhouse gas emissions in the short term,” but does not define “short term.” In reality, there will inevitably be a delay of a few years at least between payments into the fund and the bulk of emission reductions resulting from those payments. The table below compares the expected reductions according to the Plan with the reductions that could be expected if, as is likely, investments from the technology fund do not significantly reduce emissions before 2013 (these numbers were calculated in earlier analysis by the Pembina Institute<sup>4</sup>).

Year	2008	2009	2010	2011	2012
Expected reductions according to the Plan (Mt)	0	0	49	53	58
Reductions if technology fund does not deliver before 2013 (Mt)	0	0	5	9	13

5. The Plan’s expected emission reductions from the Clean Air and Climate Change Trust (p.17) are not credible. First, compared to the money to be spent (\$1.5 billion), the reductions are large: a reduction in annual emissions of 16 Mt is equivalent to closing down two large (1000 MW) coal-fired power stations.<sup>5</sup> Second, even if the Trust eventually results in emissions being reduced by this amount, it is clearly not plausible that change on this scale will have occurred by 2008 – less than a year after the Trust was announced – as claimed by the Plan. Third, provinces have mostly not yet made clear decisions about how the money will be spent: most of the news releases announcing allocations of the Trust money to each province and territory<sup>6</sup> give lists of projects that “may” be funded using the money.

<sup>4</sup> Bramley, M. (2007), *Analysis of the Government of Canada’s April 2007 Greenhouse Gas Policy Announcement*, Table 3 (p.7), Pembina Institute, available at <http://climate.pembina.org/pub/1464>.

<sup>5</sup> Assuming that a coal-fired power station emits 1 kg CO<sub>2</sub>e per kWh and operates at 95% capacity.

<sup>6</sup> See <http://www.ecoaction.gc.ca/trust-fiducie-eng.cfm>.

6. The Plan does not specify clear dates at which measures will come into effect. This is the case, notably, for the two measures for which the Plan claims the largest emission reductions. The Plan states (p.10) that regulated targets for heavy industry will apply “starting in 2010,” but does not make clear whether targets will apply on January 1, 2010, or some date later in the year. The Plan provides no information at all about the date at which projects funded by the Clean Air and Climate Change Trust (p.26–27) will be implemented, i.e. the date at which the Trust will come into effect in terms of environmental results. We therefore consider that the Plan fails to comply with the Act’s requirement (5(1)(b)) that it include, “for each measure referred to... the date on which it will come into effect”.
7. The Plan describes two measures that have already been implemented but fails to quantify the resulting emission reductions: the memorandum of understanding with the aviation industry (p.12) and the “significant investments in developing beneficial management practices” in agriculture (p.16). Although, as the Plan notes, it is true that part of the resulting agricultural emission reductions may end up being counted as offset credits under the regulated targets for heavy industry, this does not justify failing to quantify them. In these cases, the Plan fails to comply with the Act’s requirement (5(1)(b)(ii)) that it quantify, for each measure, “the amount of greenhouse gas emission reductions...”.
8. We have used the numbers in the Plan to assess whether it is capable of meeting the target that the Government has adopted in place of Canada’s Kyoto target: to stop the growth in Canada’s emissions “as early as 2010 and no later than 2012” (p.9). The Government projects that in a business-as-usual scenario, Canada’s annual GHG emissions will increase by an average of 12.4 Mt each year between 2005 and 2015.<sup>7</sup> This means that to stop the growth in Canada’s emissions, government measures will need to be generating, every year, an extra reduction in annual emissions of 12.4 Mt compared to the previous year. To assess the Plan’s ability to achieve this, we first replaced the Plan’s expected emission reductions from regulated targets for heavy industry by the more realistic numbers in the last row of the table included in point 4 above. We then added to these numbers the Plan’s expected reductions (p.25) for all the other measures it quantifies. The results are presented in the table below. The total reductions may be overestimated because some of the measures may overlap (i.e., reductions may not be additive); they could, alternatively, be underestimated because some measures have not been quantified (see, e.g., point 7 above). However, based on the numbers in the Plan, with the necessary adjustment that we have made for heavy industry, the Plan fails to clearly meet the Government’s target to stop the growth in Canada’s emissions “as early as 2010 and no later than 2012” – because the extra reductions in annual emissions compared to the previous year never reach 12.4 Mt. It is true that, as the Plan notes (p.17–18), there are many provincial government initiatives, above and beyond those funded by the Clean Air and Climate Change Trust, that could help to produce larger reductions in Canada’s GHG emissions than those shown in the table below. However, in that case the federal government would be counting on provincial action, but in the absence of clear federal-provincial agreements, to meet its own target.

---

<sup>7</sup> Natural Resources Canada (2006), *Canada’s Energy Outlook: The Reference Case 2006*, p.141, available at <http://www.nrcan.gc.ca/com/resoress/publications/peo/peo2006-eng.pdf>.

Year	2008	2009	2010	2011	2012
Total reduction in annual emissions relative to business-as-usual (Mt)	26.5	30.9	42.8	48.7	59.8
Extra reductions in annual emissions compared to previous year (Mt)	–	4.3	12.0	5.8	11.2

9. Based on the analysis in point 8 above (showing that the Plan fails clearly to stop the growth in Canada’s emissions by 2012), the projections that the Plan provides (p.19) for Canada’s total GHG emissions during 2008–12 are not credible because they show a downward trend in Canada’s emissions during that period. The downward trend presumably results from the Plan’s non-credible expected emission reductions from regulated targets for heavy industry (see point 4 above). Since these projections for Canada’s total emissions are not credible, we consider that the Plan fails to comply with the Act’s requirement (5(1)(c)) to provide “the projected greenhouse gas emission level in Canada for each year from 2008 to 2012, taking into account the measures” described in the Plan.
10. Finally, we note that the Plan makes no attempt to demonstrate that its measures meet the Act’s requirement (5(1)(d)) of “an equitable distribution of greenhouse gas emission reduction levels among the sectors of the economy that contribute to greenhouse gas emissions”. Indeed, earlier analysis by the Pembina Institute identified as many as five ways in which the Government’s Regulatory Framework for Air Emissions treats the oil and gas sector leniently relative to other industry sectors.<sup>8</sup>

Sincerely,



Matthew Bramley  
Director, Climate Change

---

<sup>8</sup> Bramley, M. (2007), *Analysis of the Government of Canada’s April 2007 Greenhouse Gas Policy Announcement*, p.2, Pembina Institute, available at <http://climate.pembina.org/pub/1464>.

**Appendix. Extract from the *Kyoto Protocol Implementation Act***

5. (1) Within 60 days after this Act comes into force and not later than May 31 of every year thereafter until 2013, the Minister shall prepare a Climate Change Plan that includes

(a) a description of the measures to be taken to ensure that Canada meets its obligations under Article 3, paragraph 1, of the Kyoto Protocol, including measures respecting

- (i) regulated emission limits and performance standards,
- (ii) market-based mechanisms such as emissions trading or offsets,
- (iii) spending or fiscal measures or incentives,
- (iii.1) a just transition for workers affected by greenhouse gas emission reductions, and
- (iv) cooperative measures or agreements with provinces, territories or other governments;

(b) for each measure referred to in paragraph (a),

- (i) the date on which it will come into effect, and
- (ii) the amount of greenhouse gas emission reductions that have resulted or are expected to result for each year up to and including 2012, compared to the levels in the most recently available emission inventory for Canada;

(c) the projected greenhouse gas emission level in Canada for each year from 2008 to 2012, taking into account the measures referred to in paragraph (a), and a comparison of those levels with Canada's obligations under Article 3, paragraph 1, of the Kyoto Protocol;

(d) an equitable distribution of greenhouse gas emission reduction levels among the sectors of the economy that contribute to greenhouse gas emissions;