

Pembina Institute Comments on Environment Canada's *Notice of intent to develop and implement regulations and other measures to reduce air emissions*, published in the *Canada Gazette Part I*, October 21, 2006

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General comments

- The *Notice* makes no reference to Canada's international legal obligations regarding greenhouse gases (GHGs) and criteria air contaminants (CACs) under treaties such as the Kyoto Protocol, the UN Framework Convention on Climate Change, the Canada-US Air Quality Agreement and its Ozone Annex. Indeed, the *Notice* does not reference Canada's international treaty obligations in even a general way. This is unacceptable and inappropriate, especially since some of the actions proposed, such as delaying the enforcement of regulated GHG emission limits until the end of 2010, will clearly contribute to non-compliance with Canada's international legal obligations.
- The *Notice* makes several references to aligning Canadian environmental standards with those of other industrialized countries, particularly the US. But nowhere does it commit to make Canadian standards stronger than those of other countries. While catching up with the US is a step forward, this remains an excessively timid approach in which it appears that Canada will follow, not lead. Instead, given Canada's wealth and know-how, and recognizing that well-designed environmental regulation creates new economic opportunities and stimulates innovation, the government should commit to world-leading regulated targets and standards for GHGs, CACs and activities or equipment that cause their release.
- Except where it commits to harmonize with US standards, and where it establishes a national GHG emissions target for 2050, the *Notice* specifies no clear targets or standards for GHGs, CACs or equipment that causes their release, such as vehicles and appliances. The actual environmental benefits of the proposed regulatory actions are therefore, in most cases, wholly unclear. The government should propose, as soon as possible, clear numerical targets for each of the actions proposed in the *Notice* so that the government's plans regarding Canada's environmental performance are clear and there is accountability for those plans.
- Except where it commits to harmonize with US standards (CACs from vehicles and engines, volatile organic compounds from consumer and commercial products) and where it proposes unquantified amendments to energy efficiency regulations, the *Notice* proposes no regulations that will come into force before the end of 2010 – in four years' time. This is in stark contradiction with the *Notice*'s own statement, with which we wholeheartedly agree, that "there is an urgent need for federal regulation of air pollutants... and greenhouse gases". In light of the seriousness of the environmental and health impacts of GHGs and CACs, the urgency of reducing them, and the government's repeated statements of the importance of regulating emissions rather than relying on voluntary approaches, this timeline is unjustifiably slow. Instead, draft regulations should

be published in all areas covered by the *Notice* within one year, and brought into force starting in 2008.

- The *Notice* fails to address several important sources of emissions. For instance, it is silent on GHG emissions from agriculture, industry outside the so-called “key industrial sources”, waste management and forestry (depletion of forest carbon stocks). It also appears to ignore GHG emissions from medium and heavy trucks, despite the fact that emissions from freight trucks rose by 60% in Canada between 1990 and 2004.
- It is important to note that there is nothing in the *Notice* that would obviously require additional legislative authority beyond that which is already provided by the Canadian Environmental Protection Act (CEPA) and other referenced legislation. Timely implementation of the *Notice* does not therefore require the passage of new legislation, such as the government’s proposed Clean Air Act.

Specific comments

These comments follow the section numbering of the *Notice of intent*.

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- We take exception to the government reserving the word “pollutant” for CACs only. GHGs are also clearly pollutants when emitted in current amounts in light of their profound impacts on the global environment. The government’s refusal to acknowledge that GHGs are pollutants suggests that it may not accept the overwhelming scientific evidence that GHGs have serious environmental impacts.

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- This section is appropriately eloquent concerning the impacts of CACs, but has nothing to say about the impacts of GHGs, other than the two words “climate change”. The impression is created that the the government does not believe that the impacts of climate change are serious enough to be described. This is at odds with an overwhelming mass of scientific and economic advice, notably from national science academies, the Intergovernmental Panel on Climate Change and the recent Stern Review on the Economics of Climate Change, demonstrating that climate change is the world’s most profound environmental problem and indeed one of the biggest threats of any kind facing humans in the twenty-first century.
- The assertion that implementation of domestic regulations would strengthen Canada’s influence in international GHG negotiations is true in general, but highly misleading in the context of the *Notice*, because the GHG regulations proposed in the *Notice* would enter into force three years later than the date at which Canada must begin meeting its emissions target under the Kyoto Protocol. The government’s abandonment of Canada’s Kyoto obligation – which this regulatory delay further confirms – has in reality weakened Canada’s influence in international climate negotiations.

6.1

- We disagree with the proposed joint administration of standards with the US EPA because it would effectively result in the US federal government setting Canadian

standards and prevent the possibility of Canada showing leadership by aligning with stronger standards in world-leading jurisdictions such as California.

7.2

- As stated in a letter sent to the Prime Minister by the Pembina Institute and numerous other environmental organizations on October 4, 2006, we believe that GHG emissions from the automotive sector should be regulated in a manner at least as stringent as California's regulation, and that the regulation should take effect in 2010 at the latest, or by 2009 if the auto sector fails to fully implement the terms of its existing Memorandum of Understanding with the government during its implementation.

7.3

- We note that under article 2.2 of the Kyoto Protocol, Canada is required to "pursue limitation or reduction of emissions of greenhouse gases not controlled by the Montreal Protocol from aviation and marine bunker fuels, working through the International Civil Aviation Organization and the International Maritime Organization, respectively". GHG emissions from domestic aviation in Canada rose by 22% between 1990 and 2004; the *Notice* provides no reason why these emissions would be excluded from its statement that "there is an urgent need for federal regulation of air pollutants... and greenhouse gases". The Pembina Institute therefore believes that GHG emissions from aviation should be included along with large industrial sources in a system of regulated GHG emissions targets and emissions trading. In September 2005 the European Commission recommended bringing aviation into the EU's GHG emissions trading system.

8.1

- The products to be regulated and the standards to be set by regulation are not specified; the government should specify them.

8.2

- The regulation of currently unregulated products is a step forward, but the new products to be regulated are mostly not specified; nor are the standards to be set by regulation or the timelines for their entry into force. And in the case of products that are already regulated, it is not clear whether or not the tightened requirements will represent any improvement over the current "business as usual" schedule for ongoing revision of standards. The government should provide this missing information.

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- Please refer to the *Pembina Institute Input to Environment Canada's Consultations on Regulation of Air Emissions from Key Industrial Sectors*, appended to the present document, for comments on the actions proposed regarding GHGs.

9.3

- While the commitment to CAC "emissions targets at least as rigorous as those in the US or other environmental performance-leading countries" is welcome in principle, it is not clear whether this is a commitment to adopting US Clean Air Act standards for specific

sectors and pollutants, or US ambient air quality standards, or neither. The government should provide full clarification.

9.4

- This section indicates an intention to rely heavily on provinces and territories for actual implementation of the federal targets to be developed. For CACs, this has been the approach pursued in Canada for the past 30 years, and its failures have been well documented by the Commissioner for the Environment and Sustainable Development and others. The government must provide much clearer assurances that federal standards will actually be achieved. For instance, we do not believe that provincial permitting and licensing regimes should be considered equivalent to federal regulations for the purposes of equivalency agreements under CEPA. The “case by case” nature of permitting/licensing does not provide sufficient confidence that provinces will provide fully equivalent environmental targets and enforcement without exception.

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- It is unacceptable that the only target proposed for Canada’s total national GHG emissions is for 2050. The adoption of targets for total national GHG emissions is critically important to set the overall policy direction and thereby help ensure that action is taken on all significant sources of emissions in a timely and fully effective manner. The Commissioner for the Environment and Sustainable Development insisted in her 2006 report on the need for both short- and long-term national GHG goals. She wrote: “The current government has announced that Canada cannot realistically meet its Kyoto target. If so, then new targets should take its place.” She clearly did not mean that the government should replace the short-term Kyoto target only by a new target 40 years later in time (2050). Writing on the topic of GHG emissions to the former Prime Minister in 2005, the CEOs of major GHG-emitting companies including Shell Canada, Alcan, Dupont Canada, Falconbridge and Tembec called for the adoption of “significant long-term quantified objectives to 2020, 2030, 2040 and 2050.”¹
- Detailed analysis by the Pembina Institute and the David Suzuki Foundation² shows that Canada should adopt targets to reduce its net GHG emissions by 25% below the 1990 level by 2020 and 80% by 2050 if it is to play a responsible part in the global effort to prevent dangerous climate change – the objective of the UN Framework Convention on Climate Change. The cited report presents several lines of evidence suggesting that this is both technically and economically feasible. Several foreign governments have either adopted or are publicly contemplating targets at or around these levels. The 2050 target to which the government commits in the *Notice* is equivalent to a reduction of only 31–56% below the 1990 level, falling far short of what is needed.

¹ See http://www.climateforchange.ca/statement/principles_e.asp.

² Bramley, M. 2005. *The Case for Deep Reductions*. <http://www.pembina.org/climate-change/pubs/doc.php?id=536>.

Pembina Institute Input to Environment Canada's Consultations on Regulation of Air Emissions from Key Industrial Sectors

*Matthew Bramley
November 24, 2006*

These comments follow the structure and order of Environment Canada's November 1 *Companion Document to the Notice of Intent to Develop and Implement Regulations and Other Measures to Reduce Air Emissions*. These comments deal only with regulation of greenhouse gases (GHGs), not criteria air contaminants (CACs).

Scope of Regulations

- Environment Canada officials have stated that the sectors to be regulated are those covered by the previous government's Large Final Emitter (LFE) system, plus wood products. The government should make clear in writing the precise list of sectors to be regulated. Also, we believe that GHG emissions should be regulated for all large industrial facilities, certainly those emitting more than 100 kilotonnes (kt) carbon dioxide equivalent (CO₂e) per year – not just those in the sectors currently targeted.

Discussion Questions

Question 1

- Targets should be determined using a combination of the polluter-pays and ability-to-pay principles. Technical feasibility of reducing emissions on-site should not be a consideration in target setting given the availability of emissions trading to offset emissions that cannot reasonably be reduced on-site. Instead, the primary consideration in target setting should be financial feasibility of meeting targets. This will require evaluation of cost curves and profit margins for each sector. From a polluter-pays perspective, targets should also reflect the increased responsibility for reducing emissions of sectors experiencing the most rapid emissions growth after 1990.
- Targets should be set in a top-down fashion, i.e., an ambitious overall emission reduction target should be selected for the whole regulatory system, and this should then be disaggregated among covered entities. We believe this is necessary to force trade-offs between sectors and companies that contend that they should make less effort. A bottom-up approach, i.e., adding up estimates of what is considered to be acceptable for each sector, is likely to result in a "lowest common denominator" result, i.e., an inadequate overall emission reduction performance for the whole regulatory system.
- Targets should be set relative to emissions in some past year, not relative to a business-as-usual (BAU) projection of future emissions. An appropriate past year would be 2002, the year when Canada ratified the Kyoto Protocol, because companies should reasonably have been expected to start making GHG reduction efforts from this point onwards. Target setting relative to BAU should be avoided because of unending controversy about the correct BAU level and the past experience with BAU levels not being made public, preventing transparency around target setting.

- Sectoral targets should apply to sectors defined as broadly as possible, to maximize the incentive to shift to the most GHG-efficient modes of producing a given product. For instance, coal-fired and gas-fired electricity producers should face the same targets per unit of electricity. This is particularly important in a system using intensity targets. For example, targets to reduce emissions intensity by x% below normal levels applied separately to coal- and gas-fired electricity producers result in a very small incentive to switch fuels: if the price of tradeable units is \$y per tonne, then the incentive for fuel-switching is only $\$y \times x\%$ per tonne.
- For the record, we are strongly opposed to the use of intensity targets. To begin with, the government has not explained the inconsistency of adopting absolute targets for CACs but intensity targets for GHGs. Intensity targets create a production subsidy that results in an unequal marginal cost of emissions, tending to reduce the economic efficiency of the regulatory system. As noted above, intensity targets reduce incentives for fuel switching. Intensity targets hinder the transparency of the regulatory system because of industry's sensitivity around public disclosure of production data, and they may also hinder the functioning of emissions trading, given that targets are only known in absolute terms after the compliance period. Last but not least, intensity targets result in an unacceptable transfer to taxpayers of liability for the emissions attributable to higher-than-expected production.
- We are also sceptical of the appropriateness of integrating GHG and CAC regulations. The feedbacks between GHG and CAC reductions are generally limited. For example, increases in refiners' GHG emissions caused by Canadian sulphur in fuels regulations were small. The government has not presented a compelling case for integrating the two sets of regulations. At the same time, knowing the complexity of past work to design the LFE system, government officials' task of designing the integrated regulatory system may now have become impossibly complicated.

Question 2

This question should not be considered in GHG target setting, assuming that it will be considered in CAC target setting.

Question 3

- There is a compelling case to set less stringent targets to reduce capital losses for facilities whose design was finalized before Canada accepted GHG reduction obligations. (That could mean before 1992, 1997 or 2002, depending on interpretation.) At the same time, there is also a strong case to require facilities designed subsequently to face an emissions price for a large proportion up to 100% of their emissions, where this would not have unmanageable competitiveness implications (see question 4). Facilities that are old enough to have paid for themselves (i.e., where capital losses are no longer an issue) should face targets as stringent as those for new facilities, thereby removing a disincentive to renew capital stock.
- It is extremely important *not* to use "best available technology" (BAT) as a basis for target-setting for new or existing facilities. First, as noted above (question 1), in an emissions trading context it is only financial, not technical feasibility of emissions reduction that matters. Second, the interpretation of BAT is endlessly controversial.

Third, past experience shows that target setting at BAT levels invites industry to lobby for all new facilities to be deemed already at BAT levels. This will lead to such facilities being given targets requiring very limited or zero incremental reductions – a wholly unacceptable outcome. In an emissions trading context, the notion that target setting at BAT levels encourages implementation of BAT is simply wrong, because technology choices are determined mostly by the price of tradeable units, not target levels.

- Many new facilities are expected in the oil sands sector. Given the growth of this sector, if Canada is to have any hope of playing a responsible part in the global effort to achieve deep reductions in GHG emissions, net emissions from new oil sands facilities will need to be limited to very low levels. The Pembina Institute and ten other leading environmental organizations believe that both new and existing oil sands facilities should be required to be carbon neutral (net zero GHG emissions) by 2020.¹ This could be implemented via a 100% auction of emission permits to these facilities by 2020 (see question 5 below).

Question 4

- In light of the science and economics of climate change, and our international obligations, Canada needs to move immediately towards the greatest possible GHG reductions. At the same time, government resources available for spending programs are very small compared to investment flows in the energy sector, which means that regulations must be the main driver of GHG reductions. The guiding considerations for setting the overall GHG reduction target from the whole regulatory system should therefore be (i) that the price of tradeable units be high enough to redirect large volumes of investment decisions from high-GHG to low-GHG options; and (ii) that industry's financial contribution to GHG reduction be maximized subject to avoiding unmanageable impacts on competitiveness.
- On point (i), an evaluation should be made of the price of tradeable units needed to drive major investment in low-GHG technologies like energy efficiency, renewable energy and carbon capture and storage (CCS). For example, CCS with enhanced oil recovery becomes economic only at a price upwards of about \$30/tonne CO₂e. We therefore believe that the regulatory system should be designed to result in a price of at least \$50/tonne. This is not unreasonable given that the price in the EU Emissions Trading Scheme (ETS) has been as high as €30/tonne even before the Kyoto commitment period.
- On point (ii), an evaluation should be made of the GHG reduction costs per unit of production that different sectors could reasonably bear, in light of their profit margins and competitive environment, without suffering undue competitiveness impacts. In the electricity sector, competitiveness issues are limited and prices are often regulated, which means the sector has considerable scope for taking on GHG reduction costs. In oil sands, GHG reduction costs on the order of a few dollars per barrel are appropriate given the sector's profit margins and the fact that the oil sands resource cannot migrate.
- The government's commitment to "a better outcome for the Canadian environment than under the plan previously proposed on July 16, 2005" means that the whole regulatory

¹ *Managing Oil Sands Development for The Long Term: A Declaration by Canada's Environmental Community* (December 1, 2005). Available at <http://www.pembina.org/climate-change/pubs/doc.php?id=585>.

system needs to result in a lower overall absolute level of industrial GHG emissions in 2010 than the level of absolute emissions equal to 36 megatonnes (Mt) below the BAU projection that the previous government was working with. The latter level must be published so that an accurate comparison can be made between the proposals of the previous and current government. The fact that a portion of emission reductions under the previous government's LFE system would likely have occurred outside Canada is immaterial to this comparison, because emission reductions occurring outside Canada have the same benefit in reducing climate impacts in Canada as reductions occurring here. It should also be noted that reductions achieved in 2010–15 result in a worse outcome for the Canadian environment than the same amount of reductions achieved in 2008–12, because the delay results in additional GHGs accumulating in the atmosphere.

- To maximize certainty for industry and the incentive to invest now in low-GHG options, it is desirable to establish a schedule of targets over the full time horizon for deep GHG reductions, i.e., out to 2050. However, it is difficult for the government to confer credibility on the longer-term targets. This would be much easier if the government sought an all-party agreement on targets to reduce the risk that they be changed by a future government. Because of uncertainties around future technology development, the longer-term targets should be expressed as ranges rather than precise numbers, and laid out in a policy statement rather than in regulations.

Question 5

- As noted above, Canada needs to move immediately towards the greatest possible GHG reductions. To facilitate the setting of an ambitious overall short-term target for the whole regulatory system and remove excuses for further delays, we believe it to be essential to allow companies to use emissions trading to comply with the regulations. However, emissions trading must be subject to rigorous rules and maximum public disclosure to ensure that all claimed emission reductions are genuine as well as to ensure accountability and public confidence.
- We strongly prefer a permit (allowance)-based emissions trading system, as exemplified by the EU ETS and the US Acid Rain Program, over a “baseline-and-credit” system. A baseline-and-credit system sends a signal entrenching “rights to emit” up to the level of targets, while a permit system creates a much stronger perception that rights to emit GHGs can and will be withdrawn over time, as will be necessary to achieve emission reductions of the magnitude needed over the coming decades. A permit system also allows auctioning of permits (see below) and likely also facilitates more efficient emissions trading.
- To implement the polluter pays principle, a steadily increasing degree of permit auctioning should be introduced, as is the case in the EU ETS (up to 10% auctioning during 2008–12) and the Regional Greenhouse Gas Initiative in the US (25% auctioning starting in 2009). All facilities whose design was finalized after 2002 should be subject to 100% auctioning by 2020. Permit auction revenues should be directed towards additional GHG reduction programs.

- As discussed below (questions 6, 7, 10), domestic offset credits and international Kyoto credits should, with caveats, be valid for compliance, but not credits for R&D investments.

Question 6

- In light of Canada's obligations under the Kyoto Protocol, only Kyoto-compliant tradeable units from other countries should be accepted for compliance with Canadian regulations. This means that US units should not be admissible until such time as the US joins the Kyoto system.
- Even if the government decides not to respect the point above, tradeable GHG units from outside Canada should not be able to be used for compliance with Canadian regulations unless they reflect a degree of emission reduction stringency and quantification rigour at least as high as those required in the Canadian emissions trading system.
- Imports of foreign tradeable GHG units should be subject to restrictions (as is the case in the EU ETS) to ensure that the domestic price is high enough to drive major domestic investment in low-GHG technologies (see question 4 above).

Question 7

- Domestic offset credits from a broad range of sources should be allowed as an option for compliance with GHG regulations, but only if they meet a series of rigorous rules and conditions. These were previously elaborated by the Pembina Institute and the Climate Action Network Canada in their submission to Environment Canada's offset consultations in 2005.²
- It is essential that domestic offset credits satisfy a strict additionality criterion, i.e., credits should only be granted in respect of activities that would not have occurred without the ability to earn credits. If this criterion is not satisfied, the offset system will result in *higher* emissions than would have prevailed in the absence of the system, because credits will be granted for emission reductions that would have occurred for other reasons and those credits will be used by industry to increase allowed emissions. Additionality rules must be at least as strict as those applied in the Clean Development Mechanism (CDM). The fact that over 400 projects have now been registered under the CDM demonstrates that its rules are practicable. The Pembina Institute has further elaborated the importance of additionality elsewhere.³
- To prevent weakening the stringency of the regulatory system, granting of offset credits in respect of years prior to the first compliance period of the regulations should be allowed only if a compelling case can be made that this will result in correspondingly earlier action to reduce emissions by offset project proponents.

² *Comments on Environment Canada's Offset System for Greenhouse Gases Overview Paper and Technical Background Document released for public consultation on August 11, 2005* (September 30, 2005). Available at <http://www.pembina.org/climate-change/pubs/doc.php?id=590>.

³ *Ensuring Canada's Kyoto Plan Delivers Real Emissions Reductions: The Need for Additionality Rules in the Offset System* (October 12, 2005). Available at <http://www.pembina.org/climate-change/pubs/doc.php?id=532>.

Question 8

- Opt-ins should be allowed, but through the offset system, not a special opt-in system. This is to ensure that any credits earned by entities opting in are subject to equally rigorous rules as other participants in the offset system, especially concerning additionality. If there are large categories of entities that the government has in mind as opt-ins, it would be preferable (and probably simpler) to make them subject to regulations.

Question 9

- Our proposal to set targets relative to emissions in some base year such as 2002 (see question 1 above) would automatically provide a reasonable measure of credit for “early” action taken after that year. However, to prevent weakening the stringency of the regulatory system, emission reductions occurring after the base year but prior to the first compliance period of the regulations should not be allowed to be “banked” forward into the compliance period.
- Credit for early action taken prior to the base year could be provided by adjusting targets for the first compliance period. However, this should be limited to a small number of compelling cases to prevent too much weakening of the stringency of the regulatory system. Candidates for credit for early action should meet strict criteria such as being able to provide evidence of financial sacrifice.

Question 10

- We recognize the need for innovation policy, i.e., government measures to support new technology R&D for GHG reduction. However, this should *not* be implemented through provision of “R&D credits” valid for compliance with regulated GHG targets. The government has never been able to provide a convincing argument for why innovation policy should be entangled in this way with the system of regulated emission targets. In fact, the only motivation for the concept of R&D credits appears to be the desire of certain industry associations to avoid being required to secure genuine emission reductions in the short term. However, emissions trading would provide industry with more than sufficient flexibility to manage cases where on-site emission reductions cannot reasonably be achieved in the short term.
- Establishment of a credible schedule of targets over the full time horizon for deep GHG reductions, i.e., out to 2050, would likely stimulate most of the new technology R&D that will be necessary, because it would be in companies’ own interest to undertake it. However, some additional government coordination and support might be needed to ensure that companies receive a fair benefit from their R&D investment, e.g., by preventing free riders – and this will increasingly be the case to the extent that government is unable to confer credibility on its proposed schedule of future targets. However, the necessary support can be provided by policy instruments *other* than R&D credits valid for compliance with regulated GHG targets.
- Granting R&D credits valid for compliance with targets results in a form of “emissions fraud” because it allows companies and the government to claim that emission reductions have been achieved now, when in reality reductions will occur at best some considerable

time in the future and in highly uncertain amounts, perhaps zero. **If the government announces short-term GHG targets that can be “met” by using R&D credits, the credibility and reality of the targets can therefore be expected to be subject to strong public criticism.**

- If the government nonetheless chooses to issue R&D credits valid for compliance with targets, the following conditions should apply. (i) In order to give current emission reductions priority over future reductions (because the former have a greater environmental benefit), the payment rate (\$/tonne CO₂e) should be set at a level significantly higher than the highest likely market price for tradeable emissions units. (ii) Strict rules should be applied to ensure that R&D investments are additional to BAU. In other words, companies must be rigorously prevented from gaining R&D credits for investments that they would have made anyway, with or without the option of earning the credits. (iii) To ensure enforcement of the additionality criterion and overall accountability, there should be a single technology investment fund that could be administered jointly by federal and provincial governments, not multiple funds.

Question 11

- Provision by the government of “price assurance mechanism” (PAM) credits is another compliance option that has been discussed in the past. We believe that there may be a legitimate case for reducing uncertainty for industry by providing this option but only if (i) the price of PAM credits is set sufficiently high; (ii) liability for high prices is shared between government and industry, not assumed 100% by government and (iii) the option is implemented in a way that prevents gaming. Respecting points (i) and (ii), the “threshold price” for PAM credits should be set at a level significantly higher than the highest likely market price for tradeable emissions units and then, if the market price rises higher than the threshold price, PAM credits should be made available at the average of the threshold price and the market price. The discussion paper on this topic published by the former LFE group at Natural Resources Canada should guide application of point (iii).
- The government should undertake further consultations with all stakeholders before making any decision to allow other compliance options not identified in the *Companion Document*.

Question 12

- The greatest preoccupation of environmental NGOs in the area of compliance assessment and reporting is public disclosure of information. To respect the public’s right to know and ensure accountability and public confidence, all information provided by companies to government for these purposes should also be publicly disclosed in a timely manner except where compelling reasons exist to the contrary and clearly outweigh the public interest. Our reasoning and conclusions in this area have been presented in detail on several occasions in documents submitted to the National Steering Committee on Reporting / Stakeholder Committee on Reporting (NSCR/SCR).⁴

⁴ See, for example, *ENGO Principles and Questions Regarding Public Access to Information Reported under the National Reporting System for Emissions of Greenhouse Gases (GHGs) and Related Information* (July 29, 2005). Available at <http://www.pembina.org/climate-change/pubs/doc.php?id=591>.

- The rigour and transparency of the reporting system are more important than the process used to develop it. Reporting of GHG emissions and related information can be pursued through the NSCR/SCR process but government participants need to place a higher priority on the public interest than they have in the past.
- Experience in the EU ETS has shown that to set targets at an appropriate level, high quality facility-level data is needed before targets are finalized. The government should therefore move as quickly as possible to raise the rigour of mandatory facility level reporting to the standard needed to assess compliance with regulations *before* finalizing regulated targets.

Equivalency Agreements

- We do not believe that provincial permitting and licensing regimes should be considered equivalent to federal regulations for the purposes of equivalency agreements under CEPA. The “case by case” nature of permitting/licensing does not provide sufficient confidence that provinces will provide fully equivalent environmental targets and enforcement without exception. It is difficult to understand why adoption of provincial regulations should be unduly onerous for provinces that wish to conclude equivalency agreements.

Medium and Long-Term Targets

- Because of capital stock turnover considerations, it seems highly unlikely that the government’s GHG target for 2050 (a 45–65% reduction in national emissions below the 2003 level) can realistically be achieved if industrial emissions are allowed to remain above current levels until 2020–25, as the government is proposing. In other words, the government’s proposal for the medium term likely makes achievement of its long-term target impossible. We urge the minister of the Environment to commission economic modelling to determine the optimal emissions trajectory over time to achieve the 2050 target and to publish the results. In the absence of this information, the credibility of the government’s 2050 target will remain low. This is helpful neither to the government nor to industry.