

## **Canada's Climate Policy – Federal Retreat, Provincial Uncertainty**

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On December 12, 2011, in the face of significant international criticism, the Harper government finally, formally and without apology withdrew Canada from the Kyoto Protocol. Declaring that the Kyoto Protocol is not the path forward for a global climate solution, the government formally invoked Canada's legal right to withdraw.

Canada's withdrawal comes as no surprise. It has been clear for years that Canada would not meet its Kyoto target for the first commitment period and the Harper government confirmed in Durban that it would not commit to a second Kyoto commitment period. The Harper government was also clear that its goal in Durban was to establish a process to negotiate a new international climate change treaty, one that would create binding commitments for all major emitters, including China and the U.S. Under the Durban Platform, therefore, Canada has agreed to work with its UNFCCC partners to complete a new international treaty by 2015, which would come into force in 2020.

While these international negotiations proceed over the next few years, the Harper government stated that Canada will "continue" to do its part to reduce emissions on the home front, adding that Canada is already well on its way to meet our Copenhagen target to reduce emissions by 17 per cent over 2005 levels by 2020 (which is aligned with the U.S. target).

Environment Canada's own emission projections, however, suggest a different story. Two years after committing to our Copenhagen target, Canada's federal and provincial policies are on target to achieve only a quarter of the reductions needed by 2020. Among these current policies, it is uncertain whether these limited projected reductions will be achieved. For example, the federal government's proposed regulation of coal-fired plants accounted for approximately 12 per cent of the reductions required to meet Canada's Copenhagen target. However, several provinces have recently commented that they have been negotiating with the federal government to bring in less stringent emission requirements that will enable coal-fired plants to keep operating beyond the federal government's proposed milestone dates.

In the face of an apparent federal retreat from national standards for coal, provincial climate leadership will be crucial if Canada intends to meet its Copenhagen target. Meaningful provincial climate leadership, however, is also lacking. For example, a recent report by Pembina Institute concluded that Alberta's current regulatory approach will deliver less than one third of Alberta's reduction targets. Further, of the four provinces that committed to implement cap-and-trade systems through the Western Climate Initiative, only Quebec has adopted binding cap-and-trade regulations to date. Ontario has stated that it remains committed to a cap-and-trade program, but will not be in a position to join the regional emissions trading program in 2012.

Finally, in the face of continued U.S. climate policy uncertainty and the building political storm in Canada and the U.S. surrounding the Keystone XL and Northern Gateway pipelines, the likelihood of any meaningful climate policy harmonization with the U.S. is extremely remote until well after the U.S. presidential election in 2012.

A decade of regulatory uncertainty has coalesced in a consensus among Canadian business leaders on the need for a clear and cohesive national climate policy that would be compatible with the U.S. climate regime. But with the ongoing disparity between provincial and federal policy directions, the forecast for a national climate policy continues to be cloudy with little chance of clearing.