



June 29th, 2007

Mike Beale
Director General for Strategic Priorities
Environment Canada
155 Queen Street
Ottawa, Ontario
Canada
K1A 0H3

Dear Mr. Beale,

I am writing on behalf of Pollution Probe in response to the proposed “Regulatory Framework for Air Emissions”, and specifically on the proposed industrial emissions trading system. Pollution Probe has been one of the most active non-governmental organizations on the emissions trading issue, including co-organizing a national conference in 1997, producing various reports, and publishing a primer on emissions trading (<http://www.pollutionprobe.org/Publications/emissionstradingprimer.pdf>). We appreciate the opportunity to attend the consultation meetings, and submit comments as part of the consultation process.

General statements:

While the proposed intensity based greenhouse gas emission reduction targets are a step forward, Pollution Probe believes that a national cap on emissions and a more stringent target are necessary. The scientific evidence documented through the Intergovernmental Panel on Climate Change severely challenges the unrestricted expansion of Canada’s oil sands. We note with great concern that the proposed 20 percent reduction target below 2006 levels by 2020 falls well short of the internationally recognized 20-30 percent reduction target below 1990 levels that many scientists and most signatories to the Kyoto Protocol believe is necessary to prevent atmospheric concentration levels of CO₂ from reaching the point where there will be “dangerous interference” of the global climate system. Canada is bound to this commitment as a signatory to the UNFCCC (1992).

According to the most recent GHG emission inventory, Canada’s emissions (in 2004) are 25 percent above 1990 levels, and if “Business As Usual” (BAU) conditions persist, projected national emission levels (828 Mt) will be more than 250 Mt above our Kyoto

target of 571 Mt by 2010. By 2020 the BAU gap could be even greater, exceeding 325 Mt. Even with the new government target of approximately 630 Mt by 2020, Canada will need to reduce emissions by approximately 150 Mt from 2006 emission levels, or over 250 Mt compared to BAU projections. This represents an enormous challenge to Canada, and we anticipate that a variety of instruments and tools will be needed to support industry to achieve the proposed emission reductions, including a carbon tax, emissions trading, off-sets, and credit for early action.

Pollution Probe supports an appropriately designed emissions trading system. We recognize that it can be a useful tool to enable industry to reduce emissions in a cost-effective manner, but emissions trading must lead to reductions that are real, verifiable, and wherever possible lead to co-benefits for improved air quality and health. It is also essential that credit for reductions adhere to internationally established standard methods.

While we see merit in the development of a technology fund, we do not believe that it should be incorporated into the emissions trading system. The current allocation price of \$15/tonne for carbon, rising to \$20/tonne by 2013, is far below the price signal necessary that will lead to transformative changes in our economy and achieve the emission reductions needed. The National Roundtable on the Environment and the Economy recently called for a \$75/tonne price tag by 2020, rising to \$225 in 2030 and \$270 by 2040, which would be required if Canada is to meet its 65 per cent reduction target by 2050. Under the proposed system a financial burden will also be placed upon the Canadian taxpayer to cover the difference between the domestic price and the value of credits on the global market.

Specific comments:

There were a number of issues raised at the consultation meetings that Pollution Probe would like to comment.

1. The baseline year of 2006 penalizes progressive companies who have already been reducing emissions since 1990. Credit for early action partly addresses this deficiency, but the maximum allotment of 15 Mt seems inadequate to reward early adopters and runs the risk of becoming an administrative challenge. Further, the time period of 1992 to 2006 should be extended back to 1990, thus bringing this instrument in line with the Kyoto benchmark period. While we would support an increase in the 15 Mt allotment, any increase in the credit for early action should be accompanied by a corresponding reduction in the emission cap, or at least lead to a more stringent intensity target.
2. A separate Technology Fund has the potential to be a useful instrument to promote technological advancement and innovation, but the timeline and rapidly declining contribution limit may actually restrict the progressive and transformative changes required to reach the 2020 target and move Canada's economy forward towards meeting more stringent reduction targets by 2050. An improved fund would increase the time and amount to a level that would stimulate investment in renewable energy technologies.

3. We support the inclusion of Ecologo certified renewable energy as part of the off-set mechanism. The benchmark for electricity projects deemed eligible for credit or off-sets should be set at emissions levels from combined cycle natural gas power stations.
4. While we applaud the proposed caps on emissions of criteria air contaminants, a national emissions trading system for these pollutants may be too large an area to ensure positive outcomes for both the environment and human health. While we note that long range hemispheric transport of air pollutants is becoming increasingly recognized as a serious environmental problem, from a human health perspective emissions trading would lead to more positive outcomes if it was designed on an airshed basis. Conversely, any emissions trading system that limits the amount of real reductions in the Alberta air shed could have serious consequences for ecosystem health in eastern Canada caused by acid deposition. As emissions of SO₂ decrease from smelters in Ontario and Quebec, emissions of NO_x and SO₂ from Oil Sands development is anticipated to take on a larger share of the acid deposition problem. Further modeling may be needed to determine any detrimental effects on the environment and human health of a nationally based emissions trading system in NO_x and SO₂, such as the creation of emission “hot spots”.
5. Pollution Probe is on record of rejecting the need for emissions trading of SO₂ in Ontario (<http://www.pollutionprobe.org/Reports/commentsair3-12-05.pdf>), given the reductions that are projected to occur through existing Provincial regulations and Federal Pollution Prevention Plans.

We respectfully submit these comments and welcome the opportunity to further discuss the specific details of the proposed Regulatory Framework for Air Emissions.

Sincerely,



Dr. Quentin Chiotti
Climate Change Programme Director and Senior Scientist