

Climate Change and Energy Sustainability

CARBON PRICING

A pan-Canadian price on carbon will be a key policy to enable Canada to reach its 2030 carbon reduction commitment under the Paris climate agreement. While complementary climate policies will be needed, a polluter pays policy that rises gradually over time will send the right signals to businesses, governments, and households. Federal carbon pricing legislation has now passed and a \$20/tonne carbon pricing backstop will be applied on January 1, 2019, rising by \$10/tonne every year until 2022. The federal government must now ensure that all provinces meet or exceed the federal backstop for provincial systems to apply.

It is of concern that the proposed carbon pricing backstop allows provinces to apply an Output Based Pricing System (OBPS) to all industrial sectors. Rather than applying the OBPS so broadly, it should be more targeted, applying only to sectors where there is evidence that carbon leakage will result from sectors facing the full carbon price.

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Photo: Hywit Dimyadi

ATTRIBUTING THE COSTS OF CLIMATE CHANGE

Every year, the federal government incurs significant costs responding and adapting to climate change. However, rather than requiring fossil fuel interests to pay for the portion of climate change costs that are attributable to them (aside from carbon prices, which do not address the costs related to past emissions, international emissions, nor the full estimated costs related to emissions in current and upcoming years), the government requires these environmental externalities to be borne by taxpayers, effectively offering those costs as subsidies, contrary to federal policy, and reducing the incentive for industry to develop more sustainable alternatives. (In fact, the International Monetary Fund now includes negative environmental externalities of fossil fuels in its estimation of fossil fuel subsidies.)

To address this issue, the Green Budget Coalition recommends that the federal government identify and quantify the portion of costs incurred by Canada as a result of, and in order to prepare for, climate change that are attributable to global fossil fuel interests (and not otherwise explicitly paid), and investigate options to recover those costs from those interests.

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