



House of Commons  
CANADA

## Legislative Committee on Bill C-30

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CC30 • NUMBER 018 • 1st SESSION • 39th PARLIAMENT

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EVIDENCE

**Thursday, March 1, 2007**

**Chair**

**Mr. Laurie Hawn**

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Thursday, March 1, 2007

• (0905)

[Translation]

**The Chair (Mr. Laurie Hawn (Edmonton Centre, CPC)):** Welcome everyone to this 18th meeting of the Legislative Committee on Bill C-30.

We have a very full agenda today. So let us start right away.

[English]

Thank you to the witnesses for showing up on time. I would request that we pass on to our fellow members of the committee that timeliness is important.

We have a full schedule today. I anticipate we'll probably have to drop off the last two questioners to get in a little bit of business.

We can commence to hear testimony with a quorum of five. That's what we have, so we are going to proceed.

Today we'd like to welcome, from the Canadian Labour Congress, Marie Clarke-Walker, executive vice-president; and Andrew Jackson, national director of social and economic policy. From the Canadian Renewable Fuels Association we have Mr. Bliss Baker, chair. From Iogen Corp. we have Jeff Passmore, executive vice-president. From the Office of the Commissioner of the Environment and Sustainable Development we have Mr. Ron Thompson, interim commissioner; and Mr. Richard Arseneault, principal.

By video conference from Vancouver we have Michael Brown, chairman, Chrysalix Management Inc. Thank you again, Mr. Brown, for getting up so early out in Vancouver to join us.

Before we proceed, a memorandum was passed to members of the committee by the clerk giving you notice of some of the people you may want to contact about getting down to clause-by-clause after we come back from the break. There are phone numbers and contacts there for the legislation counsel, the legislative clerk, and the Library of Parliament analysts. That's some information you'll need when we proceed after the break.

Witnesses, we typically give each of you about 10 minutes to tell us about tools and fiscal issues with respect to Bill C-30—we're trying to focus on that. Then we go to questioning from the various sides of the room.

We'll start with the Canadian Labour Congress and Marie Clarke-Walker.

**Ms. Marie Clarke-Walker (Executive Vice-President, Canadian Labour Congress):** Thank you. I'd like to thank you all for the

opportunity to appear on behalf of over three million members of the Canadian Labour Congress.

Our brief puts forward a labour perspective on climate change issues, which form a major part of Bill C-30. It doesn't address all the provisions of the bill, but it does address some.

The labour movement strongly supports effective and concrete measures to avert catastrophic climate change, while also building a stronger economy with good jobs. Our environmental and job goals should not be in conflict. Good policies can and must address both of these goals at the same time. The science tells us clearly that we must move very quickly to make deep reductions to greenhouse gas emissions if we are to avert a planetary disaster. The costs of inaction far outweigh the costs of action.

Dealing with global warming seriously will involve fundamental changes to our carbon-based economy. Major polluting industries, especially the oil and gas industry, have used the threat of economic dislocation and job loss to resist implementation of a real global warming plan. We in the labour movement reject the idea that there is a fundamental conflict between the economy and jobs, on the one hand, and environmental sustainability on the other. In fact, dealing seriously with global warming has the potential to create a strong and vibrant economy with many new good jobs.

We have a major opportunity to create a better economy, but governments must carefully plan the transition. We should not minimize the scale of the challenges ahead. Some jobs may be lost as others are created. Our climate change policies must therefore include a green industrial policy and just transition policies to create jobs and protect workers and communities.

We support inclusion of clear greenhouse gas emissions reduction targets in Bill C-30, consistent with our Kyoto commitment, as well as deeper minimum, medium, and long-term reductions. Dealing with global warming will involve major changes in the structure of our economy and society. It's imperative that climate change policy be implemented with and through a Canadian green jobs/green industrial strategy to maximize the creation of good new jobs. Such a strategy will include a mix of regulation, public investment, and direct government support through spending and tax measures for needed new private sector investments.

Bill C-30 must set the framework by ensuring that the federal government has the power to regulate emissions and product standards as needed, and should also create the legislative framework for an umbrella climate change investment fund. Any new federal revenues from the imposition of charges and taxes to deal with global warming should be credited to the fund, along with a significant portion of existing government revenues. This fund can and should be used to support significant investments by the federal government as well as the provinces and municipalities. The federal government should work through public agencies and its procurement policies to promote such areas as renewable energy alternatives, energy efficiency, and green transportation technologies.

We support the elimination of perverse tax subsidies to the primary oil and gas industries in the next budget, especially the write-off of 100% of capital expenditures for tar sands development. The primary oil and gas sector is highly profitable and can afford to invest much more in carbon reduction measures without special subsidies.

We support provisions in Bill C-30 to impose hard caps on emissions by large final emitters. The goal must be to force significant real reductions in total emissions, especially in the primary oil and gas sector, not simply a reduction in emissions intensity. An emissions trading system, a responsible one, would be a useful means to lower the total cost of compliance, allowing operations that lower emissions beyond required levels to sell their excess emissions to those who have not. The details of the emissions caps will have to be established on a sector-by-sector basis through regulation. Labour should have the opportunity to have direct input to the design of an emissions trading system and allocation of initial permits.

Some industries, such as the pulp and paper sector, have already made major reductions in their use of carbon-based energy by switching to biomass and cogeneration of heat and power. These efforts should be rewarded through caps that are only modestly below current levels.

In regulations implementing a cap and trade system, competitive realities that could cost production and jobs with no environmental gain will have to be taken into account. In sectors that are closely integrated on a North American basis, significantly raising costs in Canada ahead of the U.S. could cause transfers of production and job loss with no net reduction of carbon emissions. Caps should still be imposed but at initially modest levels.

Emission caps should be accompanied by direct government support for investment in emissions-reducing new technologies and processes by industry, including accelerated write-offs for investment in effective environmental technologies.

• (0910)

To the extent that energy prices for households increase as a result of climate change measures, low- and middle-income families should be protected through tax credits fully offsetting the extra costs, while still giving everyone an incentive to use energy more efficiently. Utilities could raise prices above a threshold, while selling a basic allowance at low cost.

The key to a just transition for the workers affected by changes in employment resulting from transitions to a green economy is an aggressive green economic development strategy. Energy efficient economies are more labour intensive. This will create jobs and new opportunities for workers.

However, as I said before, there is the potential for job losses in some sectors with high carbon dioxide emissions. Higher energy prices may also compound problems in the wider manufacturing and non-energy based resource industries, such as forestry products.

The principle of a just transition holds that workers who are displaced or who experience wage cuts due to structural economic changes benefiting society as a whole should be fully compensated, as should the communities impacted by such changes. The principle has often been expressed in response to trade-driven economic change, but has rarely been translated into practice.

In creating the legislative framework for expenditures to deal with global warming, Bill C-30 should establish a just transition fund, to be governed by a board including labour representatives. The fund should be authorized to make payments in support of retraining of workers who lose their jobs due to climate change policies, and to compensate workers for any income losses. Communities should also be eligible for support. And provinces must also be encouraged to integrate just transition into climate change plans.

In conclusion, Bill C-30 must set a clear framework for a national action plan to meet specified greenhouse gas reduction targets, including hard emissions caps for large final emitters and an emission trading system; a framework for new regulatory standards; the establishment of mandates for funds to support a green jobs and/or green industrial strategy, including a climate change investment fund and funds for just transition. Also, funding for climate change programs and related tax reforms should be included in the 2007 budget.

Thank you.

**The Chair:** *Merci beaucoup.* Thank you for saving us a bit of time.

We'll move to the Canadian Renewable Fuels Association, and Mr. Bliss Baker. The floor is yours, for 10 minutes or less.

**Mr. Bliss Baker (Chair, Canadian Renewable Fuels Association):** Thank you very much, Mr. Chair and members of Parliament, for the opportunity to appear today.

My name is Bliss Baker. I am the chair of the Canadian Renewable Fuels Association. I am joined by my colleague and fellow board member Jeff Passmore, who is also executive vice-president of Iogen, who will have a few things to say when I conclude.

I think, without exception, all of you are familiar with the renewable fuels industry, the ethanol and biodiesel industry. The CRFA represents a wide variety of ethanol and biodiesel producers, potential producers, technology providers, and a host of agricultural commodity groups, all of whom will stand to benefit from an expanded biofuels industry in Canada and from the passage of Bill C-30.

The CRFA has been around since about 1993 and was started by a group of corn farmers in southwestern Ontario. Since that time we have been advocating, pushing, prodding, lobbying, and educating on the benefits and merits of renewable fuels, and we are poised for a significant expansion in biofuels in the coming year or two as a result of the passage of this bill.

I have a few comments. I'll try to keep them brief because I prefer to leave some time for questions, but first let me say that I don't think I'm understating it when I say that the potential for our industry is huge with the proposed renewable fuel standard and the passage of this bill. It means a significant expansion of both biodiesel and ethanol in Canada, and when I say potential, it's because not all the work is done yet with this bill. A significant amount of work needs to be done, and I'll touch on that in a second, but I think there's little debate within most jurisdictions about the environmental benefits, the agricultural benefits, and the rural economic benefits of expanding the biofuels industry in any jurisdiction.

With respect to the environment, there are significant clean air benefits in reduction of CO<sub>2</sub>, there is significant reduction of particulate matter with the usage of biodiesel, and significant greenhouse gas reductions with the implementation of ethanol and biodiesel into the fuel pool.

Second is economic development. I think many of you who represent rural communities will know that there are dozens of communities across the country right now that are anxious to see biofuels facilities built in their towns, for the simple reason that it will have a huge impact on their local economy. The vast majority of the resources and money are spent in the community, and any town that's gotten an ethanol plant in the U.S. Midwest can attest to the fact that their rural economies have expanded significantly as a result of introducing ethanol and biodiesel plants into their town.

Third, agricultural benefits again are significant. There are three primary benefits. One is the direct impact on grain prices. Our large facility in Chatham, Ontario, has had a huge impact on the local price of corn, and farmers are benefiting from that. Secondly, it's a great hedge for farmers. When grain prices are very low and if they've invested in ethanol or a biodiesel facility, the biodiesel and ethanol plants are making money; and conversely, when grain prices are high, the plants may not be making money but the farm is making money, so it's a great built-in hedge for the agriculture sector.

Finally, from a government perspective, if you are increasing revenue to the agriculture sector through these kinds of value-added

propositions, then clearly it means fewer support payments from government to the agricultural sector. Those benefits are undeniable and widely recognized across North America.

The 5% renewable fuels standard that is being promoted by the government right now will create a market for about 2.5 billion litres of ethanol and biodiesel. There are many initiatives that the government could support to reduce greenhouse gases today, but there are very few initiatives that the government can support in the transportation sector that are readily available and immediately available to reduce greenhouse gases, and expanding the biofuels sector is one of them.

The blending of these fuels into the nation's fuel pool will reduce greenhouse gases by over four megatonnes annually, and this will be the equivalent of taking thousands of cars off the road annually. Undoubtedly, today's legislation will achieve this outcome. There is no question about it. The passage of a renewable fuel standard will create a demand for 2.5-plus billion litres of biofuels in the marketplace.

● (0915)

The question for all of us, I suppose, is this. If we are going to achieve those other benefits, the agricultural benefits and the rural economic benefits, then we have to build these plants here in Canada.

Let me just elaborate. We're happy to say that the government has consulted with our industry. They've listened to our proposals. We've put a proposal forward that will ensure that plants are built here in Canada. It's a proposal that puts us on a level playing field with the generous tax treatment and regulatory instruments that we see in the United States, where they're launching a new ethanol plant or biodiesel plant every two weeks. Our proposal will generate over \$2 billion in investment in industry infrastructure, generate thousands of direct and indirect jobs, and provide much-needed value to grain and oilseed crops across Canada.

Of course, as anyone knows who's living in the GTA right now, or even in parts of Montreal, where there have been some refinery outages, we know refineries are running at maximum capacity these days. Injecting 2.5 billion litres of fuel into the fuel pool at a time when refineries are running at maximum capacity can only have a good impact on the pricing pressures in the marketplace right now.

In short, let me just summarize what our proposal is. Many of you are familiar with it, because we've met with many of you over the last several months.

In order to achieve some kind of tax parity with U.S. producers, ensure that we build plants here, and make that \$2 billion in investments, we have proposed a 10¢ per litre ethanol tax credit program and a 20¢ per litre program for biodiesel. Anything less will put Canadian producers at a serious disadvantage with U.S. producers. We run the risk of simply importing fuel to satisfy the renewable fuel standard, and the investment that we talked about will end up in the U.S. I know all of you understand that.

Again, just to close and pass it over to Jeff, we are very pleased with the level of consultation that we had with the government. We know they certainly heard us, and I believe they now understand very well the economics of production in Canada versus the United States. We await the federal budget to see the next step of the biofuels policy in Canada.

• (0920)

**The Chair:** Thank you very much, Mr. Baker.

We'll turn to Iogen Corporation, and Jeff Passmore, for ten minutes, please.

**Mr. Jeff Passmore (Executive Vice-President, Iogen Corporation):** I don't intend to speak for ten minutes, Mr. Chair, but I thank you very much for the invitation to be here.

Members, it's a pleasure for Iogen Corporation to have the opportunity to appear.

I just want to echo the comments made by Canadian Renewable Fuels Association chair Bliss Baker, and briefly describe cellulose ethanol.

Iogen Corporation is in the cellulose ethanol business. Ethanol is ethanol. It's the same molecule. The unique difference between grain-based ethanol and cellulose ethanol is that grain-based ethanol comes from corn or wheat or barley. In our case, we would not use the corn, we would use the cob and stalks and leaves, or we would use the straw in the case of wheat or barley. The other interesting thing about cellulose ethanol, of course, is that like grain-based ethanol, it has a very good greenhouse gas emission reduction profile, which is part of the goal of Bill C-30.

Iogen is the world leader in this technology. We have a demonstration plant here in Ottawa, right in your backyard. Any of you are welcome to come and have a tour of it. We're the only company in the world to have built a demonstration plant.

This technology has yet to be commercialized in the world. We are looking forward to getting it commercialized, but there are three legs to that stool. One leg is the technology leg, which we're responsible for. Another leg is the financing leg. Third, when you do financing, you have equity and debt. On the equity side, we have our partners, Goldman Sachs and Shell, ready to provide the equity, and we've had a long-term partnership with the Government of Canada. The government has been supporting our research and development over the last number of years. But on the debt side, lenders simply don't take technology risks. They don't lend conventional debt to emerging technologies. There's where the role for government comes in.

Iogen is looking forward to the commercialization of the cellulose ethanol technology. We've had good discussions over the years with a number of countries' governments, including the Canadian government, and we certainly are looking forward to the implementation and commercialization so that we can deliver on both the greenhouse gas emission reduction benefits and the rural economic development benefits that Bliss spoke about a few minutes ago.

**The Chair:** Thank you very much, Mr. Passmore. We appreciate your time.

We'll turn to the Office of the Commissioner of the Environment and Sustainable Development, and Mr. Ron Thompson, the interim commissioner.

Mr. Thompson.

**Mr. Ron Thompson (Interim Commissioner, Office of the Commissioner of the Environment and Sustainable Development):** Thank you very much, Mr. Chairman.

You've introduced my colleague Richard Arsenault. I also have with me Mr. Bob Pelland, who can help us if we need him.

As you know, the commissioner's group that I lead conducts performance audits of the implementation of the government's policies and commitments in the area of the environment and sustainable development. In commenting on what has happened in the past, we make recommendations to help point the way to make things better in the future. In all of our work for Parliament, we are strong advocates for sound management of environment and sustainable development by government departments, agencies, and corporations.

[Translation]

As you know, I have been in the post of interim Commissioner for about a month, although I have been involved with the Commissioner's group for some time. Allow me to make an overall observation with respect to an important challenge faced by government in the area of environmental sustainable development.

[English]

With respect to climate change, it seems to me that the task is somehow to encourage and support government officials to work as if there was no tomorrow, day in and day out, for weeks, months, and years at a time, to bring about change, much of which only our children and perhaps grandchildren will see. When you think about it, this is an incredibly difficult but absolutely essential management challenge that must be addressed. That's where the commissioner's group can play a significant role.

Frankly, we are experts at auditing the quality of environment and sustainable development management and in reporting what we find to Parliament. Our findings and recommendations are carefully crafted to help parliamentarians understand what has happened and what may need to change in the future.

[Translation]

For example, last September, after 18 months of detailed audit work in federal departments and agencies, we tabled a report on the management of climate change by the federal government.

In a nutshell, we said that Canada was not on track to meet its international obligations to reduce its greenhouse gas emissions; that Canada was not prepared to adapt to the effects of climate change; and that the federal government's efforts were not well organized and not well managed.

On the positive side, we also said that the government had a foundation to build on. There are several positive programs and practices and there are many motivated and talented public servants committed to success.

• (0925)

[English]

In our report, we made a series of recommendations to address the deficiencies that we had identified. When we were finalizing our 2006 report on climate change, the current government stated that it accepted our recommendations and would address them in its climate change approach, the development of which was then under way. As we understand it, the Clean Air Act is seen by the government as an integral component of its climate change plan, which is still being developed. As we have done for the previous government's plans, we will eventually audit the implementation of this new plan once it is in place.

[Translation]

Furthermore, in future reports to Parliament, we intend to examine the status of actions by the government to address the deficiencies that we have identified and the recommendations that we have made with respect to the management of climate change programs.

Mr. Chair, it is my understanding that your committee is also interested in exploring tax system opportunities in relation to Bill C-30. We did some work in this area in 2004. Back then, we conducted an audit of the implementation by Finance Canada of three commitments it had made in its sustainable development strategy of 2001, on using the tax system to achieve the integration of the economy and the environment.

[English]

It's well known that the tax system can have an important influence on the environment, directly or indirectly, by encouraging environmentally positive activities through tax credits, for example, and by discouraging environmentally negative activities.

As part of the 2002 plan of implementation of the World Summit on Sustainable Development, the Government of Canada and other countries agreed to pursue certain issues related to fiscal aspects of sustainable development. These could include issues such as restructuring taxation and phasing out harmful subsidies where they exist.

[Translation]

During our 2004 audit, we found that Finance Canada had analysed a range of issues associated with the tax-related commitments, made in its 2001 sustainable development strategy. However, we found that Finance Canada's approach to implementing these commitments had been piecemeal and fragmented. We also found four cases that led us to question whether the department had the appropriate capacity for environmental analysis. Consequently, Finance Canada was not in a position to tell Parliament and Canadians the extent to which it had analysed how the tax system impedes or favours the attainment of sustainable development.

[English]

We recommended that in order to meet the intent of its 2001 SDS commitments, the department should conduct a systematic review, based on risk, of key opportunities for using the tax system to better integrate the economy and the environment. In our view this would be an important step toward using the tax system as a tool for sustainable development.

I'd like to conclude my remarks this morning with two final observations.

First, with respect to commenting on the Clean Air Act directly, our long-standing practice in the commissioner's group and within the Office of the Auditor General more generally is to avoid commenting on a bill that is before the House of Commons unless the bill directly affects the work of our office.

Second, my group of 40 dedicated environmental audit professionals is working very hard on a good dozen audits to be reported in October of this year and February of next year. They deal with issues such as toxic substances, pesticides, and contaminated sites. We have scoped out additional audits and studies that will be slotted into future reports once our consultation process with parliamentarians and others is complete.

[Translation]

Mr. Chair, this ends my opening statement. We would be very pleased to answer questions that members may have to the extent that we are able. Thank you.

• (0930)

**The Chair:** Thank you, Mr. Thompson.

[English]

For our final witness we'd like to turn to Vancouver and Chrysalix Energy Management Inc., Mr. Michael Brown, chairman.

Welcome, Mr. Brown. The floor is yours for 10 minutes.

**Mr. Michael J. Brown (Chairman, Chrysalix Energy Management Inc.):** Thank you. I appreciate the opportunity to talk with you all this morning.

I will start off by saying I am not an environmentalist. I represent no special interest groups. I am a capital markets person who has been trying to grasp this issue for more than 20 years, and I have attempted to keep up personally not only with the science but with the economic and social impacts and the way in which capital markets can be expected to respond, especially to changes in fiscal policies.

I try to steer a course between worry and realism. I have five suggestions: one about science and four about policy.

I believe this country is not prepared for what seems likely to happen. This is reflected in the apparent unwillingness to distinguish between mitigation and adaptation, and the difference in fiscal policies that arise from that failure.

My first point is on the science, and the melting of the permafrost. I believe the Canadian government should instigate a thorough emergency research program into the melting of the permafrost. We usually think of this as being the impact of climate change on the residents of the north, but the other side of the coin has incredible implications. This is the feedback loop of how the melting of the permafrost is and will be liberating hundreds of millions of tonnes of carbon dioxide and methane.

I prepared a chart that is being left with you. It's my attempt to quantify the best research I can find. As you can readily tell, if my estimates are anywhere near right, we are headed for a greenhouse gas stabilization that is three and a half to four times pre-industrial levels. This is quite stunningly about double other estimates, such as are in Nicholas Stern's report to the Government of the United Kingdom or the most recent IPCC reports, which do not account for this feedback loop.

Under this scenario, Canada would be the source of maybe one-sixth of global emissions, not one-fiftieth. These emissions might already be out of control, because the faster they happen, the bigger the feedback.

I have not put estimates of resulting temperatures in the charts because I can't find any authoritative work. It would appear most likely that the temperature changes and rises in sea level would be much greater than the recent IPCC estimates.

The outcome of this research will have many implications. One, about 30% of the permafrost is ours. It is our international duty to get the answer to this question.

Two, the public expects its leader to tell them all the news, especially the bad news, so we can prepare ourselves for the future. How awful it will be if it turns out the government knows how serious things are but doesn't tell us.

Three, if the research I've used is anywhere near right, the global economic damage will be far greater than that estimated by Nicholas Stern. Canadians will suffer.

Four, maybe this will inspire China, India, and other developing nations to work more closely with us to avoid a truly huge disaster.

Five, it will help Canada determine where to focus attention and resources. We need to decide whether we should spend our scarce resources on adapting to climate change or trying to slow it down.

If I'm right about this, and I'm right in my unconditional skepticism about international treaties, then we should try to understand how to prepare our citizens for living with what's coming.

Reducing our greenhouse gas emissions by 60% by mid-century would be a cruel target because it would not be enough to have any positive impact on Canadians then alive. We'll have to learn to live with drought in many places, with vastly reduced global food production, with overriding gross changes in the economic well-being of citizens around the world and in our own country, with a very different makeup of the job market, and with new diseases.

This implies to me that it might be far more important to focus fiscal policy on changes like new genetic improvements for humans, nano technology combined with biotechnology to produce new and maybe artificial crops, water conservation and use, much less energy per unit of GDP without sacrificing standards of living, and new adaptations of urban living.

Secondly, there are economic and social issues. The argument about whether humans are conscious of climate change is surely over. Now it is time to turn to how much we should be spending. To simply say "do everything you can" is to ignore fiscal scarcity.

Climate change is a trans-generational problem, not unlike the national debt. We have to decide what, if anything, we give up when the real cost is squarely on my and your grandchildren.

I would request that the government fund an independent third party, someone such as the National Round Table on the Environment and the Economy, to estimate the social and economic cost to Canadians at predetermined intervals of, say, 20 years from different temperature regimes and depending on the accumulations of greenhouse gases—so for example, in 2020 or 2040 or 2060 or 2080.

The results of the research about emissions from the permafrost must be included.

● (0935)

These costs should include estimated impacts on things such as agricultural production, including the impact from reduced water flows from the Canadian Rockies to the prairie grain crops. As *The Globe and Mail* noted last Saturday, at 40°C, temperatures that are now starting to occur in many areas, heat stress causes photosynthesis to shut down. Making fuel from food is a very short-term proposition. The costs should include the estimated impacts on fisheries, both ocean and fresh water, especially since there are those who now believe our salmon are doomed; rising sea levels and their impact on real estate values or the cost of dykes; flora such as forests, whether through heat, dryness, or disease such as the mountain pine beetle; water for personal and industrial consumption, including the ability to generate electricity from hydro and manufacturing—for example, will there be a Canadian car manufacturing business in 2060?

The effect on people will include population dislocation and decisions about whole sections of a dispossessed society similar to paying for the loss of fishing income for the Maritimes, but on a massively greater scale; first nations livelihood from the loss of fauna; reduced birth rates and increased immigration, especially from nations whose food outputs are under siege; just about every job in the country; revenue collection; and additional expenditures for federal and provincial governments, meaning less is available for key services such as health care and education.

Demonstration site. Canada's human emissions make little difference to total greenhouse gas accumulation. After all, Canadians emit less than 2% of global human emissions, which is about the same as the annual increase in emissions from China. We should be addressing why causing some potential disruption to the Canadian economy will make a difference globally.



I believe our attention should be on helping the developing world. If Canada doesn't make the effort, why should they? After all, they argue—and convincingly, in my view—it's been our greed and wealth accumulation that has caused the problem. Why should they be restricted from seeking the same standards? China has made it very clear that on the basis of equity alone, it is entitled to ignore its emissions of greenhouse gases. Telling China to cut back on future standards of living is no more likely to succeed there than it would here.

The question is how do we help. The implication, to me, is this. Canada should think of itself as a demonstration site to show two general things: first, that there are systematic approaches that can work; and second, that we can be a place that spends time and money developing new technologies whose feature is enablement of improved greenhouse gas performance at low cost. Many of these technologies can't get to their lowest manufacturing price with the volumes available in the Canadian market, and perhaps not in our traditional markets either. If they are a feature of developing economies, volumes can be sufficient.

Using Canada as a demonstration site is useful only if we have a deliberate, proactive dissemination plan. Such a plan ought to include, one, inviting foreigners to play a role in demonstrations, including those funded by Sustainable Development Technology Canada; two, agreeing that the business opportunity is not to sell Canadian goods, but instead to use Canadian technology as a partnering opportunity to combine forces with developing nations to drive down manufacturing costs; three, the government guaranteeing intellectual property protection; four, the government promoting the effective use of the clean development mechanism to recirculate Canadian dollars; five, proactively supporting organized industries—for example, the Chinese want our hydrogen and fuel cells to improve fuel efficiency, improve their local air quality, provide an industrial opportunity, and maybe even reduce their greenhouse gasses, and they don't care what our rationale is—six, using the low-cost manufacturing technology overseas for partnered access to third country markets; seven, setting up an industrial feedback loop whereby we agree to be the first developed market to buy and deploy the products they make less expensively as part of our own systematic approach to reduce greenhouse gases. The other reason for such a plan is to attract capital, and to that I'll turn next.

Capital markets and new technologies. These two subjects are intimately related. First, there are only two ways to influence international behaviour: either diplomacy along the lines of Kyoto—and that is demonstrably going to fail because the big countries will not submit to sanctions—or through the actions of capital markets.

Capital markets are unsentimental. They care only about winning and not losing. International money, institutional money shifts very fast and is waiting to move where fiscal policy shows it can either benefit or maybe, more importantly, avoid losses. It will move to places where it's evident that GHG-benign policies are put in place. It will move away if policies continue to encourage industries whose output will not sell. Capital markets are going to be the great rationing card as we scramble to allocate future scarcities.

●(0940)

Second, capital markets are enthused about funding new solutions, and they will respond. Conversely, there's no point in trying to introduce new technologies unless there's receptivity in capital markets.

Sustainable Development Technology Canada plays a great role in pre-market demonstrations. The work it does is unique in the world and must play a role in a comprehensive Canadian policy. The Commissioner of the Environment and Sustainable Development has endorsed its results, and especially its governance model. I encourage you to give it more funding.

Even for SDTC, profit-oriented capital market uptake is crucial. The same market acceptance filter ought to be imposed on every so-called technology fund the bill mentions.

If you introduce underlying fiscal policies that improve the general circumstances for making money out of technology change, entrepreneurs and capital markets will pay attention. In other words, I believe that every fiscal measure you think of introducing should be measured more against the impact on capital markets than against anything else. Fiscally induced changes in behaviour are important only if they cause capital markets to pay attention. Send the right signals, and capital markets will react.

For example, capital markets—

**The Chair:** You'll have to wrap it up, Mr. Brown. We're over time now, so please wrap it up.

**Mr. Michael J. Brown:** All right.

A recent survey indicates that Canadians, on average, won't pay more than \$100 to permanently eliminate climate change. Citizens will not tolerate reductions in their standards of living, and that is why those who suggest hair shirts and bicycles will not prevail. South Coast Air Quality Management District discovered this more than 20 years ago, and its answer was to focus on forward-looking regulations, such as vehicle emissions standards. Mark Jaccard loves those and has an effective explanation of them in his book. This is what got Ballard Power funded: send the right signals, and capital will react.

I like the idea of increasing the proportion of hydrogen to carbon for all Canadian hydrocarbons delivered to the border or to the refinery.

Another plan is tax shifting, where we make deliberate decisions to introduce, over time, higher and higher new consumption taxes on carbon-based products, offset by reductions in other consumption taxes and corporate and personal income taxes. We should assure the public the net change will be revenue neutral. The key is that people will be able to make choices about where to spend their money and will gain economically.

Finally, let me commend prizes. For example, you might consider joining up with Sir Richard Branson and doubling his \$25 million prize for GHG extraction techniques, but payable by Canada only if Branson's winner's work is done here.

Select other far-out radical targets, maybe such as fusion or very deep drilling for geothermal power. Don't think for a minute that capital markets won't pay attention.

Humans are at a crossroad. Future generations will fault our leaders if they do not recognize the importance of the situation. But to say we should do everything we can is a gross oversimplification, unless we study better what the impacts will be and when they will occur. Technology is not at fault. Getting the fiscal and regulatory conditions right for capital markets to do their thing is the critical issue now. That, as I see it, is your job.

**The Chair:** Thank you, Mr. Brown.

We'll move to questions, but before we do that, I haven't asked a question in 18 meetings. I'm going to ask a very short one, and it's to Mr. Baker or Mr. Passmore.

I've been told that poppies are an excellent feedstock for biofuel. Do you have any knowledge of that? I don't want a long answer, just —

**Mr. Bliss Baker:** Did you say poppies?

**The Chair:** Poppies.

**Mr. Bliss Baker:** Poppies?

**The Chair:** This is outside the Canadian context, but poppies. You have no knowledge of that?

**Mr. Bliss Baker:** Not that I'm aware of.

**The Chair:** Okay, thank you very much.

We'll move to the seven-minute round. Mr. McGuinty, for seven minutes, please.

**Mr. David McGuinty (Ottawa South, Lib.):** Thanks, Mr. Chair.

Good morning, ladies and gentlemen.

I'd like to turn, if I could, to the Canadian Labour Congress' brief. I'd like to congratulate Ms. Clarke-Walker for a very good brief.

I would like to confirm a few things, if I could. First of all, if you could just say yes or no, it would really help me understand your position on this bill.

The CLC is affirming its support for the Kyoto commitment and the Kyoto Protocol, yes?

**Ms. Marie Clarke-Walker:** Yes.

**Mr. David McGuinty:** Okay.

You are favourably disposed to Canada participating in the clean development mechanism, yes?

**Ms. Marie Clarke-Walker:** Yes.

**Mr. David McGuinty:** You do believe it's possible to purchase, as you say, bona fide international credits as provided for in the Kyoto Protocol?

• (0945)

**Ms. Marie Clarke-Walker:** Yes.

**Mr. David McGuinty:** Okay, so you don't challenge the verification, or non bona fides, of these credits? You have confidence in the system as constructed. Is that right?

**Mr. Andrew Jackson (National Director, Social and Economic Policy, Canadian Labour Congress):** My understanding is that it's possible to buy credits that are bona fide—not that all credits available are bona fide.

**Mr. David McGuinty:** You agree that Kyoto is a process and that we ought to move to the next phase to bring developing countries, using your words, more fully into the framework in the next phase.

**Ms. Marie Clarke-Walker:** Yes.

**Mr. David McGuinty:** And this is a good journey that we're on, a good process that we're on under the Kyoto process, under the UNFCC.

Can I go to your call for a climate change investment fund. Because today is all about fiscal tools, I'm trying to understand better how this climate change investment fund might work. Your brief doesn't go into too much detail on fiscal issues. You talk a bit about the accelerated capital cost allowance and the oil sands, you talk about the need to use other fiscal issues, but you don't actually put forward to us here at committee more detailed measures. Could you help us understand how this investment fund would operate in practice?

**Mr. Andrew Jackson:** We don't speak to these issues in great detail. I think the fundamental point that's being conveyed is, if we bring in an emissions cap and trade system, if there is auctioning of permits as part of that, such that there are revenues attached to that system, those should be recycled into expenditures on climate change mitigation measures. It does seem to make some sense to have one umbrella fund under which a series of specifically dedicated funds would operate. I think it's important to have that sense of a loop between revenues from fiscal instruments being expended for the purposes for which those funds are being collected—in particular, I think, in dealing with large final emitters, the concept that where it's needed, funding support would be available to help them deal with those caps. We should be at a serious enough level to force real change.

**The Chair:** Okay. We're deferring to Mr. Scarpaleggia for the last three and three-quarter minutes.

**Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.):** Thank you.

Mr. Thompson, has your office studied the value for money of 100% write-offs for the development of the oil sands?

**Mr. Ron Thompson:** Mr. Chairman, no, we haven't.

Mr. Scarpaleggia, that's getting into the area of what we call tax expenditures. We've done some work in that area, mainly trying to encourage the government to publish at least a listing of what these expenditures are, but in terms of looking at the effectiveness of that particular measure, sir, we have not.

**Mr. Francis Scarpaleggia:** So I imagine it wouldn't be within your purview to study the effectiveness of tax-deductible transit passes.

**Mr. Ron Thompson:** What we would do in terms of any program—and that's an example—is this. Our mandate allows us to ask this question: do the people who run the program know whether it's effective? If we feel that they don't know or they're not trying to find out, we would comment. Under our mandate we don't go in and do an evaluation ourselves. It's a peculiarity of our mandate, sir.

**Mr. Francis Scarpaleggia:** Will you be exploring that issue as to whether that decision was a rational economic environmental decision or whether it was ideology driven?

**Mr. Ron Thompson:** Are you talking about the bus passes?

**Mr. Francis Scarpaleggia:** Yes, the bus passes.

**Mr. Ron Thompson:** I wouldn't think so. We would look at the program, once put in place, to see whether it was being managed reasonably well. We would like to see whether or not, as I mentioned earlier, the people who were running the program knew whether it was working. Beyond that, we wouldn't go into the—

**Mr. Francis Scarpaleggia:** Well, that would be a good question to ask, actually, whether it's working. I would hope that your office would do that as soon as possible.

I'm glad to see you here. You've come to the environment committee. We're talking today about fiscal instruments, and we've just heard from you that you can't do studies on the value for money of fiscal instruments. So I'm a little perplexed.

**Mr. Ron Thompson:** Perhaps I may comment on that, Mr. Chairman.

What we've done in the area of fiscal instruments...take the 2004 chapter, sir, that we did, that I referred to in my remarks. We looked at what the Department of Finance was doing as it put its tax policy together. They themselves, the Finance officials, said in 2001 in their SDS that they were going to take a good look at the tax system in a number of ways. One of them was to take, we thought, a broad-based look at the tax system to see whether or not there were impediments within it to good integration of the environment in the economy. Now, we called them to account for that, actually, in 2004, which is part of what we do as auditors, and we didn't see any evidence that they had done that in a systematic way. So we reported that in 2004. That's the kind of work we can do on issues like that. Actually, we'll come back and look at that again.

• (0950)

**Mr. Francis Scarpaleggia:** Thank you.

**The Chair:** We'll move to Monsieur Bigras now.

[Translation]

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Thank you very much, Mr. Chairman.

First of all, Mr. Thompson, welcome to the Committee, and a warm welcome to all of the witnesses.

Mr. Thompson, this is your first official appearance before the Standing Committee of the House of Commons on the Environment and Sustainable Development since your taking over from Ms. Gélinas. I must say that your presentation is very shy compared to those Ms. Gélinas has made to us in the past.

You state in paragraph 21 of your report that, in 2004, the Office of the Commissioner did an audit of several issues relating to fiscal commitments made in its sustainable development strategy of 2001. However, Ms. Gélinas was much more forceful. She devoted an entire chapter — chapter 3, in 2004 — to this issue and stated, to summarize her chapter: “Greening the tax system: Finance Canada dragging its feet”. I see nothing in the presentation you have made to us today that fits with this analysis. I would like to quote a paragraph drawn from her report: “The tax system has a huge potential to create incentives to improve the environment. Finance Canada is dragging its feet when it should be showing leadership”. And, there were, elsewhere in the report, elements that showed us where we were headed. Bill C-48, which was passed, provides close to \$250 million per year in fiscal incentives to Canada's oil industry. I therefore would like you to flesh out the conclusions of this report demonstrating that, in fact, the Canadian tax system is far from becoming green and that, on the contrary, it allows the rewarding of major polluters. Could you tell us more about this chapter 3 of the 2004 report?

[English]

**Mr. Ron Thompson:** Mr. Chairman, *c'est un plaisir* for me to be here.

I've picked just a couple of incidents, a couple of recommendations from that chapter, because I had 10 minutes to speak this morning. But you're quite right, the chapter itself goes into a good deal more detail. It has three basic recommendations in it, only one of which I picked up.

Perhaps I might impose upon my colleague Mr. Arseneault to go into a little more detail on that chapter. Is that reasonable?

[Translation]

**Mr. Richard Arseneault (Principal, Office of the Commissioner of the Environment and Sustainable Development):** As you know, departments are required to produce sustainable development strategies every three years. When we established the position of Commissioner of the Environment, we also created the obligation for departments to tell us how they will go about greening their operations, their decision-making. In the case of Finance Canada,

[English]

what are their business lines? Well, there is the tax system, which is key in terms of business lines for CRA.

[Translation]

Furthermore, in the context of the federal budget, two major challenges are facing the country. We asked the department to explain to us its sustainable development strategy, in other words how it was going to go about “greening” these aspects. Clearly, we had nevertheless noted certain commitments that did offer good potential. The department had made a commitment to analyze the Canadian tax system in order to see where improvements in this regard might be made. We unfortunately observed, as you have just stated, that the department was dragging its feet. Those words still hold true today. That is what we saw at the time, and that is what we would say again today. Mr. Thompson had 10 minutes to provide this information this morning.

We made recommendations to the department. In our view, the department was not doing what it had committed to do. It had committed to carrying out this analysis of its sustainable development strategy for parliamentarians. We also noted that its in-house capability in the area of environmental analysis was deficient. We asked questions about this because we had seen a certain number of unsatisfactory analyses. We had made recommendations to the department. The department more or less ignored what we had said. It stated that it would continue to do what it was doing because it had not received any clear signal from its political masters with regard to what their wishes were. And this is the situation we are faced with today.

• (0955)

**Mr. Bernard Bigras:** Do you believe that bills such as Bill C-48 provide a means to combat greenhouse gases? Do you believe that it represents a fiscal measure that will assist in respecting our Kyoto targets?

**Mr. Richard Arseneault:** If we had done a strategic environmental assessment, then we would probably have established that there were links to be made. Unfortunately, such was not the case. The department did not do its duty. The implementation of a strategic environmental assessment is a requirement. Cabinet decided in 1990 that this would be a requirement on the part of departments.

Finance Canada, when we did our audit, had not yet committed to doing that. Since then, however, we have clarified the way in which the department works and it has put a system in place. We have not yet verified that the system is working properly, but at the time, the department was not doing this auditing. It had told us, in response to an environmental petition we had received, that there was a system in place. But when we did our audit, we realized that that was not so.

**Mr. Bernard Bigras:** Thank you.

Mr. Baker, I would like you to reassure me. Yes, the production of ethanol can, in the context of a climate change mitigation policy, reduce greenhouse gas emissions, but some people believe that this activity has negative externalities, for example the pollution of waterways, be they rivers, or small streams. Secondly, some people say that the energy gains from the production of ethanol would not be as large as estimated.

I would like you to tell me — in fact I would like you to reassure me — that there is a way of fostering an ethanol culture in Canada while at the same time facilitating maximum energy gains and minimum negative external effects in the area of river pollution.

[English]

**Mr. Bliss Baker:** Thank you for the question.

I'm not sure what you're getting at in terms of pollution. In the production process of ethanol the emissions are negligible, and when you see a plume from an ethanol plant it's essentially steam. The waste water that comes from it—

[Translation]

**Mr. Bernard Bigras:** Or other products generated by... Do you not need a certain number of products, of pesticides, in certain instances, to produce ethanol? I am thinking about corn, for example.

[English]

**Mr. Bliss Baker:** True. When you grow corn or you grow any crop, you use herbicides, pesticides, and fertilizers. The fact of the matter is that the use of those agents for growing crops has been reduced significantly over the years through policies of government, through land management programs, but also because of the advancement of technologies in nitrogen fertilizers. Those fertilizers have been reduced significantly over the last 10 years going into growing crops.

On a net basis, though, ethanol and biodiesel are renewable fuels that reduce greenhouse gas emissions. If there are increased uses of nitrogen in growing corn because you're growing more corn, that's undeniable, that's a fact, but the fact of the matter is that the trend is away from using more fertilizer.

**The Chair:** Thank you, Mr. Baker.

We'll have to move to on Mr. Cullen, for seven, please.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Thank you. I have a quick question to Mr. Baker to follow up on that.

I think essentially we're trying to drive a full life cycle analysis of what it is to use each particular fuel. Is your company, is your agency, willing to subject itself to a comparison between, say, the biofuels and the ethanols being proposed and a barrel of oil out of the tar sands and do a GHG comparison? In terms of government policy, let's just make sure we get all our math right.

**Mr. Bliss Baker:** The answer is absolutely. We do it all the time. Our own plants, from my company, have done a life cycle analysis on them recently, and it shows that there is a significant impact on the reduction of GHGs on a life cycle basis.

**Mr. Nathan Cullen:** But it's important to capture it all, not to simply say it's green, it's the perfect solution.

**Mr. Bliss Baker:** Absolutely. Look, we're the first to say ethanol and biodiesel aren't going to solve climate change. There are some exuberant supporters of our industry out there who overstate the environmental benefits of ethanol all the time.

• (1000)

**Mr. Nathan Cullen:** It's easy to get excited.

**Mr. Bliss Baker:** It is, but there is a benefit, and that's undeniable.

**Mr. Nathan Cullen:** I have one last short question.

Given this prospect of the 10¢ a litre for ethanol and 20¢ a litre for biodiesel that is being offered in the U.S., why, for heaven's sake, wouldn't our government offer a level playing field for production in Canada? These plants, as you said, are being built right now, just across the border in many cases.

**Mr. Bliss Baker:** Right. The answer is I don't know. I hope they will. The budget's on March 19, and we hope—

**Mr. Nathan Cullen:** How critical is this for you and your industry?

**Mr. Bliss Baker:** It's absolutely critical. The government has proposed a renewable fuel standard of 5% in the gasoline pool, which is great news for us, it's going to create huge demand.

**Mr. Nathan Cullen:** But the real benefit is in the production side, is it not, in the actual manufacture of the thing?

**Mr. Bliss Baker:** Correct. The real benefit is making sure the plants are built here in Canada, and that's what we hope the budget will achieve.

**Mr. Nathan Cullen:** Let's hope so.

Ms. Clarke-Walker, in terms of the people you represent—I think this is something important for the committee to consider—you've talked about a green industrial strategy, you've talked about transition programs. Much of the lightning rod attention has gone into northern Alberta over the oil production, the increase in production there.

What are the views of the workers you represent from that particular region, one that has had so much attention, oftentimes so much negative attention, around the issue of climate change and Kyoto? What is the position of those workers with respect to Kyoto obligations, with respect to transitioning away from heavy polluting fuels?

**Ms. Marie Clarke-Walker:** I'm going to let Mr. Jackson answer, but I want to say that we've just gone through a number of task forces and committees, with members from that region on those task forces and committees, and all of them are in favour of all of the various green strategies and policies that we've put forth over the years. So I know they are—

**Mr. Nathan Cullen:** And this includes workers from that region?

**Ms. Marie Clarke-Walker:** This includes workers from Alberta who are in the sector, the Communications, Energy and Paperworkers, for the most part, and the Steelworkers, yes.

**Mr. Andrew Jackson:** Just to add to that, a major point of appearing before the committee is simply to make the point that when people talk about jobs being at stake if we deal seriously with climate change, we think it's important that the voice of workers is heard not endorsing that proposition.

The Communications, Energy and Paperworkers Union endorses the Kyoto Protocol, is fully in support of this brief. They'd like to appear before the committee, in fact. They also have a very comprehensive energy policy, and they do represent a lot of workers in the tar sands sector.

**Mr. Nathan Cullen:** It's interesting for us as committee members. We've heard from many witnesses over time, and generally speaking—particularly industrial witnesses—they will point to another industrial sector and say, the problem is over there, not with us, and if you want to fix this, go talk to them, but leave us alone. It's interesting that the people actually involved in the sector are supportive.

I want to get one comment from you, Ms. Clarke-Walker. You mentioned that a more efficient economy is more labour intensive. Can you or Mr. Jackson expand on that?

**Mr. Andrew Jackson:** Just to throw out one example, if we have building codes at a very high level in terms of energy efficiency, effectively you're putting a lot more labour into the construction of

buildings up front and you're saving energy down the road. So you're really displacing a small amount of employment in, for example, power generation and very capital-intensive operations.

**Mr. Nathan Cullen:** Very few workers.

**Mr. Andrew Jackson:** For construction employment, building retrofits is a hugely labour-intensive activity. Tens of thousands of construction jobs potentially can be created if we deal with that.

**Mr. Nathan Cullen:** So speaking on the side of employment potential and economic vibrancy, the effort to honour our Kyoto obligations, from your perspective representing three million workers, is a positive one?

• (1005)

**Mr. Andrew Jackson:** Yes. One thing that's very unfortunate, I think, looking back, is that before we ratified Kyoto there was quite a bit of modelling done around how to achieve our targets, and implications for employment were studied fairly closely in that period. A several-year gap has gone by since we did a serious matching up of what needs to be done to meet our climate change targets with the employment goals.

I think the point is, on balance, that those are positive, but there are pluses and minuses in that equation.

**Mr. Nathan Cullen:** Thank you.

I have a quick question for the interim commissioner. We well know the reluctance of the Ministry of Finance to change any of its policies at all. We've read the reports where the government has declared an intention, you've audited the performance of that intention, and you've said they're doing wrong, and then the Ministry of Finance has rejected your audit recommendations. I've not seen a more stark example.

One thing to point out, though, is that you talked about Bill C-30 and your preparation to analyze, after it's all said and done, as part of a larger government plan. I think it's important for your office to know that government members have been before this committee and held up Bill C-30 as the plan and said, this is it; if you want the Conservatives' plan, if you want the current government's plan for climate change, you're looking at it. One would throw a line of caution to you as to what you might be studying in the very end, they claim.

In terms of efficacy, because this is important in terms of how government spends its money, there was a program rolled out earlier last year that cost \$2,000 a tonne for government to reduce GHGs, per tonne of greenhouse gas emissions. From your past analysis, from the Commissioner of the Environment's past analysis on what a per-tonne acceptability and government policy has been, is \$2,000 a safe or credible market for Canada to initiate our efforts to reducing our own GHGs?

**The Chair:** May we have a quick answer, please.

**Mr. Ron Thompson:** The quick answer is that I don't know.

Do you have any comments on that, Richard?

**Mr. Richard Arseneault:** We have not tried to do that exercise, because in some cases programs may not generate a lot of reductions in the short term, but they are aimed at having an impact on society to generate further reductions in the longer term. So how do you calculate a per tonne value? It's a very difficult exercise.

**The Chair:** Okay, I think the answer is that we don't know.

We'll have to move on. I'll just remind folks that we have a witness in Vancouver as well.

Mr. Watson for seven minutes, please.

**Mr. Jeff Watson (Essex, CPC):** Thank you, Mr. Chair.

And thank you to our witnesses for appearing here before the committee. I certainly appreciate your lending your insights to us as we examine Bill C-30, Canada's Clean Air Act.

As you well know, we have heard from many witnesses over the last few weeks. And I can assure you our government is committed, not just for today but for the long term, to tackling the issues of greenhouse gas and pollution reduction for all Canadians. Your efforts will help us in that regard. I know many of my colleagues will be asking questions of all of you.

I'd like to begin by focusing my questions for the moment on Ms. Clarke-Walker and Mr. Jackson with the Canadian Labour Congress.

To lay some groundwork concerning your pro-Kyoto position, when did your organization adopt that, in what year?

**Mr. Andrew Jackson:** I don't know exactly when we first took that position, but certainly we appeared before this committee in support of the accord before Parliament ratified the accord.

**Mr. Jeff Watson:** Has that position been reviewed or updated since then, and when did you do that review or updating of your position?

**Mr. Andrew Jackson:** When we were writing this brief at the last meeting of our committee. I think we're well aware that time has passed since we ratified, and that our emissions have been rising since. I think our brief is clear that for us, staying with our Kyoto commitment could possibly involve the purchase of international credits, so clearly time has moved on since the time of ratification.

**Mr. Jeff Watson:** This committee will be hearing a number of amendments when we reconvene at the end of March. One of them could be literally putting in writing in Bill C-30 that the short-term target and timeline for the government to meet its Kyoto objectives could be put in there.

Should the short-term target and timeline for Kyoto be enshrined in Bill C-30, in your opinion?

**Mr. Andrew Jackson:** Yes, but I'm not totally sure of the question. Just to repeat myself, I think we need to make a determined effort to meet that actual emissions target as rapidly as possible. To my mind, staying true to the Kyoto commitment could—

**Mr. Jeff Watson:** I'm asking specifically, should the target and the timeline be put in, as opposed to making a determined effort in that direction? Those could be two very different things.

**Mr. Andrew Jackson:** I'm unclear whether, when you say the timeline includes the purchase of international credits to make up for any possible shortfall, you are legislating the actual emissions level.

**Mr. Jeff Watson:** I'm asking whether 6% below our 1990 commitment should be articulated as the specific short-term target and timeline in Bill C-30.

• (1010)

**Mr. Andrew Jackson:** Yes.

**Mr. Jeff Watson:** Okay.

I appreciate, Mr. Jackson, that you've said you want to ensure that the voice of workers is heard in this discussion. Are the Canadian Auto Workers a member of the CLC? Very good.

Mr. Hargrove, in fact, appeared before this committee. I'm going to quote Mr. Hargrove. "It would be devastating for the whole community, anybody that signed on" to Kyoto, he said. "It's not even a remote possibility. No prime minister in any one of the parties in the House of Commons is going to bring in any kind of regulation that says we have to do that. It would be suicidal for our economy." He goes on to say, "If somebody were to come out tomorrow and say you have to reach the objective that was laid out initially immediately, you'd almost have to shut down every major industry in the country from oil and gas to the airlines to the auto industry and that just doesn't make sense."

Do you agree with Mr. Hargrove's comments?

**Ms. Marie Clarke-Walker:** Again, I don't have the context for those comments. I don't have anything in front of me that says what else he said, other than what you're indicating.

What I can say to you is that CAW sits on all our committees and have been very clear in their commitment to Kyoto and have been very clear in their support for all the Canadian Labour Congress briefs. They have a position on fuel efficiency and reduction of emissions around the auto industry, and that's been very clear. It's included in our brief as well.

Without the full context of his comments, I can't comment on what he said.

**Mr. Jeff Watson:** I encourage you to go back and read the transcripts. He was referring specifically to the current Kyoto deadline, both in target and in timeline.

Did the CLC do its own analysis of Kyoto's impact on the economy? If so, when did you do that analysis? Or did you rely on someone else's analysis for impacts?

**Mr. Andrew Jackson:** When the CLC supported ratification of Kyoto...I believe if you went back to the brief, you would see that we relied a lot on the analysis that was done at the time by Informetrica concerning the economic and employment impacts.

**Mr. Jeff Watson:** Have you reviewed or updated the analysis on the impact to the economy? If so, when did you do that?

**Mr. Andrew Jackson:** Not in any similarly—

**Mr. Jeff Watson:** Not since pre-1997. Okay.

Can you tell us then, if we keep—

**Mr. Andrew Jackson:** I said not in a similarly systematic way.

**Mr. Jeff Watson:** Fair enough.

Then can you tell us which sectors will be impacted by job loss, and to what degree in the next four years, if we try to meet the Kyoto target and timeline?

**Mr. Andrew Jackson:** It's impossible to answer that question. It depends on what policies would be adopted to go as rapidly as possible.

I can give you a few examples of where I think emissions could be reduced quite substantially at—

**Mr. Jeff Watson:** Can I give you a more specific question that might help that one—

**Mr. Andrew Jackson:** No, I'm just answering your question.

If we take fugitive gas emissions, for example, from the oil and gas sector, I think that's generally considered to be low-hanging fruit in terms of large emissions reductions that could be achieved fairly quickly.

**Mr. Jeff Watson:** Fair enough.

Ms. Clarke-Walker, in your presentation you said that modest initial emissions caps...so no production would be transferred to other countries without domestic environment benefit occurring. How do you square that with the Kyoto target timeline? Who will have to cut emissions under your scenario? How would you meet that target? Would that be by credits?

It's a fair enough question. Those are your words, not mine, so—

**Mr. Andrew Jackson:** We recognize that given the fact that emissions have increased very significantly since we ratified Kyoto, we will have to purchase international credits in all probability to meet our Kyoto commitment. I believe this to be the case, based on evidence that's being presented to this committee that there are bona fide international credits that can be purchased from the point of view of the global environment. Whether those emissions actually take place in Canada or in a bona fide way elsewhere is essentially irrelevant.

So we can meet our Kyoto commitment through that mechanism.

**Mr. Jeff Watson:** Fair enough.

Thank you very much.

**The Chair:** Thank you very much.

We'll move on to Mr. Holland for five minutes, please.

**Mr. Mark Holland (Ajax—Pickering, Lib.):** Thank you, Mr. Chair, and thank you to the witnesses.

I will start with Mr. Baker.

I'm concerned right now with the fact that recently Canada has been importing ethanol from Brazil and, worse yet, subsidizing it, which seems preposterous to me, particularly when the advantages of utilizing domestic ethanol are so clear. I'm wondering if you can talk to me a bit about this. What actions do you think the government needs to take to stop it?

• (1015)

**Mr. Bliss Baker:** Thanks for the question.

You're right. Under the current tax regime, there's a federal excise tax exemption on ethanol in Canada. That tax exemption applies equally to all ethanol, whether it's Brazilian, American, or Canadian, because the tax code cannot discriminate under international trade laws.

We have proposed to the federal government that it repeal that excise tax exemption and replace it with a domestic-only support program or a tax credit program that is trade compliant but applies to domestic ethanol only, thereby stopping the subsidy of imports.

**Mr. Mark Holland:** Thank you.

One of the problems we're obviously going to have with biofuels, aside from the production side of ensuring that we have adequate domestic production to meet demand, is also being able to retail it, having places to retail it. Do you have any specific recommendations on what policies we should have?

I know that Sweden, as an example, made it mandatory that there be a biofuel option at every station. What should Canada be looking at to ensure that consumers have this choice when they go to the pumps?

**Mr. Bliss Baker:** Our advice to the government and our recommendation to anyone is that the renewable fuels mandate, if you will, should be flexible. If oil companies are required to contain 5% ethanol in their gasoline, then it should be up to them and the marketplace to determine where they put that ethanol. As long as there's 5%, then we're indifferent.

We think the market should decide where it goes.

**Mr. Mark Holland:** I have a question for Mr. Passmore, if I could.

First, I know that Iogen has been seeking for some period of time to build a plant in Canada. There was a recent announcement that the American government was giving, I believe, \$80 million, and now they're going to be building a plant in the United States

What are your thoughts on the things the Canadian government needs to be doing to encourage the development of cellulosic ethanol or to help companies such as yours develop domestic capacity, as opposed to losing it to other countries?

**Mr. Jeff Passmore:** First of all, what was announced yesterday in Washington was an invitation to commence negotiations with the U. S. Department of Energy. It was not an award of funds. It was an announcement that they intend to start discussions for an award of up to \$80 million U.S. That whole process will unfold as it will over the next few months.

It does not guarantee that we would build a plant in the U.S. The grant money that is being proposed is going towards the project that we are proposing to build there, but you still need to cover the debt financing component of the facility. In that case, the instrument that the U.S. government has chosen to use is a loan guarantee.

To the extent that we are talking here about tax policy, the federal government doesn't have a lot of levers at its disposal, but one of the strongest levers it has is tax policy. We've had discussions for many years with the Canadian government, looking at a combination of economic instruments. They could be loans, they could be grants, they could be loan guarantees, they could be any combination of the above. Certainly we've had a lot of support from the Canadian government with respect to cost-shared R and D and repayable contributions through the Technology Partnerships Canada program, but the Department of Finance has decided, in their wisdom, that loan guarantees are not an economic instrument that this government wishes to use. At least, that's been their position so far.

Another country where we're looking at building a facility is Germany. For the German government, loan guarantees are just a common way of doing business to encourage emerging technologies. In fact, it's such a common way of doing business in Germany that PricewaterhouseCoopers has a standing contract with the Government of Germany to manage their loan guarantee program for emerging technologies.

The U.S. government is kind of halfway in between Canada and Germany. It does not have a standing program, but it instituted in legislation in August 2005 a loan guarantee program to cover the technology risks associated with emerging technologies—not just cellulose ethanol, but the next generation of nuclear, something called coal to liquids, and so on.

We continue to have discussions, quite positive ones, with the Canadian government. With respect to the coming budget, we hope to see some initiatives put in place for the commercialization of cellulose ethanol in Canada.

**Mr. Mark Holland:** Just to emphasize the fact, you feel that loan guarantees are an important tool that the government should be considering using.

**Mr. Jeff Passmore:** Absolutely.

Basically, if you're looking at financing a project with a combination of equity and debt, I have a project financing bible on my desk, and there's a chapter in there that says "no new technology"—if you're a lender, do not take technology risk, because you'll go beyond a normal financing risk. You do not lend to new technology unless that debt is guaranteed by a strong credit rating, such as a government, so that's one instrument the Canadian government could use. If they choose instead to use a combination of other instruments such as grants or loans, that's fine.

I have a very quick follow-up, by the way. I'm sorry, Mark, if I'm not answering your question, but Mr. Cullen asked a question that I didn't follow up on. With respect to the life cycle analysis of cellulose ethanol, there's a very positive net energy balance in the greenhouse gas emission reductions, based on studies done by reputable U.S. government labs. The Argonne National Laboratory in Chicago, for example, looked at GHG emission reductions from

cellulose ethanol in the 80% to 90% range, and in some studies it's up to 100%.

•(1020)

**The Chair:** Thank you very much.

We'll move on to Mr. Warawa.

**Mr. Mark Warawa (Langley, CPC):** Thank you, Chair. Five minutes is not enough, but that's all I have.

I have just a very quick comment. I appreciate Mr. Jackson's comments on carbon credits. Some of the witnesses who have been before this committee, for example, Professor Boyd from UBC, Professor Mark Jaccard from Simon Fraser—I'm quite sure you're aware of them—Ms. Donnelly from the west coast.... There is a common theme that we've heard about carbon credits, and I'll just quote Mr. Jaccard:

Buying credits is an option often discussed but little understood, Mr. Jaccard said. "Buying international credits in a four-year timeframe is virtually impossible because you have to buy it from someone. Someone somewhere has to have done some greenhouse gas reductions and we have to be able to verify that they did that. That is really difficult," he said.

So that was the theme, but I don't want to go down that path. We all basically need to reduce our greenhouse gas emissions, and this government is committed to doing that.

I want to ask Mr. Passmore questions about the cellulose ethanol. I had a tour of and was very impressed with the demonstration facility we have here in Ottawa, and I'm very optimistic that it is a technology that will help us to dramatically reduce greenhouse gas emissions and to provide cleaner fuels by using, basically, a waste stock.

You have these giant bales. You pulverize the straw, and then by adding an enzyme, you create alcohol, like in a big still. You then add gasoline to come up with 85% alcohol and 15% gasoline to create what is called ethanol E85. Am I understanding that correctly?

For the benefit, maybe, of the people who are watching today, and to understand how the technology works, what can you use for a stock? You are using straw at Iogen right now. What other type of stock can you use? Is it grasses, wood? What can you use to create ethanol?

**Mr. Jeff Passmore:** Thank you very much for the question.

Let me start off by saying that ethanol is ethanol. The molecule that we make at Iogen using cellulose is the same molecule as Mr. Baker makes using grain. Ethanol is ethanol. But you're right, our ethanol comes from various feedstocks that are high in cellulose content. We can use any number of grasses.

In Canada, if you were building a plant in Ontario, you'd be using corn cobs and stocks and leaves, because we grow a lot of corn in southwestern Ontario. In the Prairies—in Manitoba, Saskatchewan, and Alberta—you'd be using cereal straw. We grow a lot of wheat and barley in western Canada, so we would use the straw from the wheat and barley.



We can also use things like switchgrass, which is a native prairie grass that grew back in the days when the buffalo roamed. The U.S. Department of Agriculture has identified switchgrass as a dedicated grass that it would like to see farmers start to grow as an energy crop on land that they're not currently growing crops on, or on marginal land where they could actually grow an energy crop such as a native prairie grass.

Your description of the process is correct. We bring in these big bales of straw, and we add enzymes. Enzymes are no different from the saliva in our mouths that helps us digest food and starts to break it down the minute we put food in our mouths. These enzymes attack the cellulose and convert that cellulose to glucose. Glucose is just sugar, so you ferment it and distill it to make alcohol.

It doesn't have to be used in an E85. Right across the country—and this is a little bit to the question that member Holland asked—E10 blends can be used by all cars today. All car manufacturers warrant up to the blending of 10% ethanol. It goes seamlessly into the existing infrastructure.

As for the E85 that you talk about, which is 85% ethanol and 15% gasoline, we have a fleet of vehicles at Iogen that run on cellulose E85. These are called flexible fuel vehicles. They exist because of U.S. law, not because of Canadian law. The U.S. CAFE standards—corporate average fuel economy—require that across your vehicle fleet, if you're an automotive manufacturer, you have to have a minimum of...I forget if it's 28 miles to the gallon. If everybody is buying Geo Metros, that would be easy. If everybody is buying SUVs, it's hard to meet those mileage standards, but you get a credit against your CAFE standards for alternate fuel vehicles. So if you can run a vehicle on 85% ethanol....

Chrysler makes them, Ford makes them, General Motors makes them. There are about, I can't remember, six or eight million of them on the road in the U.S. today. We have a fleet of E85s. I've been running my Chevy Impala on cellulose E85 for the last two and a half years.

• (1025)

**The Chair:** Okay. We'll have to cut it off there. I'd like to remind witnesses and members alike that the issue today is fiscal issues, tools.

[Translation]

Mr. Lussier, you have five minutes.

**Mr. Marcel Lussier (Brossard—La Prairie, BQ):** Thank you, Mr. Chairman.

I will go directly to the fiscal issue.

Mr. Thompson, or Mr. Arseneault, in paragraph 20 of your opening statement, you say that the matter of fiscal reform was discussed as part of the 2002 World Summit on Sustainable Development Plan of Implementation. In the last line, you mention "harmful subsidies". Have you had the opportunity to examine the sustainable development plans of various departments? Have certain harmful subsidies been targeted?

[English]

**Mr. Ron Thompson:** Thank you, Mr. Lussier.

We're doing quite an intensive audit on a number of these SDSs just now for reporting on in the fall. In terms of looking at the harmful subsidies, I'm not aware that we've found them in there yet, but I've only looked at this current year's.

Perhaps Mr. Arseneault would know a little bit more.

[Translation]

**Mr. Richard Arseneault:** It is the same for me. I must say that it is rather disappointing when we see the departments' sustainable development plans.

Mr. Marcel Lussier: Disappointing?

Mr. Richard Arseneault: Disappointing, because one would expect that these documents be strategic documents explaining the direction they will take, detailing how they will ensure that sustainable development becomes a reality. This is a long-term objective, but we are seeing rather weak commitments on the part of departments, commitments that are not aligned with their corporate plans. Sustainable development plans must be well aligned with what the departments are attempting to deliver, but unfortunately, this is not what we are seeing. Obviously, we are carrying out a detailed audit of a certain number of strategies in order to determine if upper management within these departments is really properly involved in the development of the strategy. We want to see proof of this. At the Earth Summit, commitments were made by Canada and other countries. One would have expected a Canadian action plan, but there is none.

**Mr. Marcel Lussier:** Very well, that answers my question.

Ms. Clarke-Walker, did I understand the translation correctly? Workers must have access to carbon credits. How?

[English]

**Ms. Marie Clarke-Walker:** I don't think I said workers should have access to carbon credits. I was saying that's one of the things we could use to offset if we exceeded our emissions. That's one of the things we could use, and that had to do with the carbon trading mechanisms.

[Translation]

**Mr. Marcel Lussier:** You did however mention that workers should have access to the boards of directors of the green funds.

[English]

**Mr. Andrew Jackson:** The point we were making is that if we bring in a cap and trade system for large industrial emitters, I have no real idea, sitting here right now, how that would be played out in terms of specific industrial sectors. There were prior discussions. We think it's important that workers in those industries have some voice in the design of that system as it's rolled out.

The example we use in the brief is for the pulp and paper sector. To our knowledge, there have been large reductions in emissions by shifting to biomass. So it would probably be appropriate in setting caps in that sector to recognize that large emissions reductions have already been achieved, rather than just having a cookie-cutter solution across all sectors.

So what we're saying is, if there's a sector-by-sector approach, there should be some provision for labour input into that as, in fairness, was the case under the previous government. There were some consultations with labour around the design of the system.

• (1030)

[Translation]

**Mr. Marcel Lussier:** Thank you.

Mr. Baker, you mentioned two fiscal incentives, and there is one I did not quite catch. You talked of the 20 cents per litre. What was the second one? Should the fiscal incentives go to the ethanol producers or to the farmers?

[English]

**Mr. Bliss Baker:** There's one for ethanol and one for biodiesel—10¢ for ethanol and 20¢ for biodiesel. What we had proposed was a refundable tax credit program.

[Translation]

**Mr. Marcel Lussier:** And should the subsidy be granted to the farmer or to the ethanol or biodiesel producer?

[English]

**Mr. Bliss Baker:** We've suggested that it go directly to the ethanol and biodiesel producers, but clearly there's going to be a spin-off benefit to the agriculture sector. In our project, we have hundreds of farmers who have invested in those projects who will benefit from those.

**The Chair:** Thank you very much.

We'll move on to Mr. Jean, for five, please.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** Thank you, Mr. Chair.

Thank you to all the witnesses who came today. It's very much appreciated.

I have a couple of comments first.

Ms. Clarke-Walker, I'm from Fort McMurray. I found it interesting that you had such a vast amount of support from that area for Kyoto. Have you received a lot of letters from people in northern Alberta being in support of Kyoto?

**Ms. Marie Clarke-Walker:** We haven't received the letters of people in support. We represent, as I said, the CEP workers, the Steelworkers who are out there, the IBEW workers who are out in the tar sands. They all took part in helping us prepare this brief. They're all in support of our policies.

**Mr. Brian Jean:** I understand. I just was curious, because I've lived there for 40 years and I know the workers. I have brothers who are in the unions. I myself worked in a union for a period of time up in that area. I just found it very surprising, because I had seven letters in support of Kyoto. I actively campaigned that Kyoto was

impossible, to meet the targets, and I got 65% of the vote, which was eighteenth highest in the country.

I found it very surprising that you had such support from that area, because quite frankly, I could sum up—and I'm going to just read into the record—what our opinion is in relation to the Kyoto targets and meeting them. This is from Lorrie Goldstein, in this morning's *Ottawa Sun*, on Dion's top-10 Kyoto excuses. He says: "Since, in the real world, as opposed to Liberal la-la land, many believe Dion's position is, how should I put this delicately—oh, yeah—INSANE..." I just want to make sure that's in the record, because most people out there, quite frankly, find it laughable. Kyoto is impossible to meet without buying international credits for certain. And that's my first line of questioning.

We've heard from a lot of experts who suggest that the cost to meet Kyoto, not just on domestic action but for buying international credits, would be somewhat up to the range of \$38 billion, and \$38 billion over a four- or five-year period would cost each taxpayer in this country probably somewhere in the range of \$3,300 to \$3,600 over that five-year period.

We heard from Mr. Brown that, indeed, Canadians won't tolerate more than a \$100 cost in implementing Kyoto. Is that correct, Mr. Brown?

**Mr. Michael J. Brown:** That was the result of a survey that was published about three weeks ago. I believe it was an Ipsos Reid survey.

**Mr. Brian Jean:** If there are two taxpayers per household in Canada, each household would be responsible for \$6,600 over a five-year period. What do you think Canadians would think about that?

**Mr. Michael J. Brown:** I don't think they'd like it one little bit, but I'm not sure Canadians understand what the long-term impact is on their children and their grandchildren if we let this thing carry on without making some concerted effort.

One of the suggestions is to try to figure out what that looks like, and then work it backwards. It's a little, as I said, like the national debt. Let's see if we can figure out what not doing anything is going to cost our heirs.

I've got nine grandchildren, and some of them are going to have kids within 10 years—I'm an old guy—and I want to know what sort of cost we are imposing on them. If we can understand that, and if we could publicize the results of some surveys and work that is done by third parties, such as the National Round Table on the Environment and the Economy, then maybe we could come up with better ways to decide how much to spend now.

•(1035)

**Mr. Brian Jean:** Mr. Brown, I think that's very wise. Indeed, I think most Canadians would agree that we need to do something; it's just how we implement it and how we spend our money and how effective we are. That's what this act is all about, trying to find a way to clean up our own backyard before we worry about everybody else's. But—

**Mr. Michael J. Brown:** Could I say something about that?

The fact is that the bang for the buck is way greater if we help China or India reduce their emissions than if we do anything about ours, but nothing I see in this bill suggests that would be a good idea.

**Mr. Brian Jean:** But wouldn't you agree that, indeed, we have to remain competitive at the same time as we help them, and the best way to help them is by providing them with technology that is made at home here and actually has proven results?

**Mr. Michael J. Brown:** I think that's a great way to go, because the Chinese—and I'm not sure about the Indians, but I do know about the Chinese, because I spent quite a bit of time trying to understand China and I've been there many times on this subject—have made it very clear that they don't believe they have any obligation to reduce their greenhouse gases. So one of the things we have to do is encourage them to do that some way. If we can disseminate our technology there in an effective manner, that helps a lot.

**Mr. Brian Jean:** Thank you, Mr. Brown.

I have one more question. I'd like to put this to our green fuel people.

What is going to be the net effect to our farm communities across Canada? We have a supply management system that causes us to subsidize, quite frankly, farmers because we want to make sure we have a secure, safe source for food in Canada. It's very important to all of us. What is going to be the net effect on the long-term basis if we go toward the 5% renewable and then continue on that vein with our technology?

**Mr. Bliss Baker:** To be brief, it's hard to put an opinion on exactly what the dollar value is, but there's going to be an impact on grain prices locally. Particularly in the local region, there will be a boost to the local grain prices, which means new revenue for farmers. There will also be an impact on the stability of commodity pricing, which gives stability to the farm. New revenue to the farm means fewer payouts from the government to support programs.

**Mr. Brian Jean:** So it would be better for taxpayers in the long term if we go toward this initiative that the government is doing right now.

**Mr. Bliss Baker:** There's no question about it.

**Mr. Jeff Passmore:** Very quickly, the plant we're proposing to build in Saskatchewan will have \$20 million a year in straw purchases alone. That's not the jobs in the plant or the trucking jobs or anything like that. That's just for the straw.

**The Chair:** We're going to have to move on to Mr. Godfrey for five, please.

**Hon. John Godfrey (Don Valley West, Lib.):** This is a question directed to Mr. Brown and to Mr. Jackson and Ms. Clarke-Walker.

In your proposal from the CLC you referred to the large final emitters and Pembina and pricing carbon at \$30 a tonne for large final emitters. You said this “would force real change without undue disruption” or dislocation.

I am wondering, both from the Canadian Labour Congress and from Mr. Brown, whether you have any further analysis that would confirm that this is the sweet spot between forcing change and causing economic disruption, or whether you've just gone as far as Pembina. Maybe Mr. Brown has some independent information. We're looking at fiscal tools, and one of them clearly is that this needs a price incentive to get people moving. Is that the right kind of zone for a price signal?

**Mr. Andrew Jackson:** The short answer is basically that what we're saying is based on the work at Pembina Institute. To our mind, it's not the end of the world if we have a slower pace of tar sands development.

I just want to clarify one point about what we were saying earlier. It is my understanding that under Kyoto we are committed to do a combination of three things, not two things. One is to reduce our emissions. The second is that we can use the clean development mechanism. The third thing is that we can take on an additional obligation in the subsequent period. It's not just an either/or in terms of reductions or purchasing credits.

**Hon. John Godfrey:** Mr. Brown.

**Mr. Michael J. Brown:** I haven't done any specific analysis on what the right price ought to be for carbon. I do believe it's appropriate that in line with things like forward-looking regulations, it would make sense to increase prices over time, to tell people in advance what they're likely to be. I don't think it's appropriate to set a price for carbon until we understand what damage is likely to be done by a tonne of carbon.

That gets me back to the notion that I'm not sure we understand what these long-term damages are going to be. If my presumptions about the release of methane from the permafrost are real, I'm going to suggest to you that the damages are going to be intense. If IPCC estimates up to 4.5 degrees centigrade in changes—and there's an article in the *New Scientist* from two weeks ago that indicates that IPCC work did not include some of the commonly discussed material among scientists, including this feedback loop—then we could be looking at global temperature increases substantially above 4.5 degrees by the end of the century. This would have a dramatic impact on things like food production, fish production, rising sea levels, and so forth within the lifetime of my grandchildren.

Until we know the answer to that, I don't know how we price the value of getting rid of a tonne of carbon today.

• (1040)

**Hon. John Godfrey:** But I would gather from your presentation that you're urging us to get on with it. You're not asking us to wait around until we know the answer to the question, but to start moving on pricing carbon. Would that be correct? We can't wait for the full analysis.

**Mr. Michael J. Brown:** I think that getting on with some legislation that indicates that we're going to start a carbon trading and penalties program based on general caps is a very good idea.

I'm not sure that we should start at prices any higher than are evident in Europe. But I think we should make it clear that analysis will be done that's going to suggest increasingly higher prices over time. I think you will find that capital markets will respond very positively to that sort of program.

**The Chair:** Thank you very much.

We'll move back to the government side for five minutes, and Mr. Manning.

Also, I'm sorry, but this will be the last questioner, because we have some business to conduct at the end of this meeting.

**Mr. Fabian Manning (Avalon, CPC):** Thank you, Mr. Chair.

I welcome our guests here and thank them for their presentations.

My question would go to you, Mr. Jackson or Mrs. Clarke-Walker. Correct me if I'm wrong, but in your presentation you made a comment concerning the climate change investment fund, a fund to compensate workers and communities that lose their jobs and economic activity due to meeting some of our targets. Would that be correct? Have you costed that endeavour? Can you give us some estimate on what it would cost for a compensation package to address those concerns?

**Mr. Andrew Jackson:** I think you're referring to our proposed just transition fund.

**Mr. Fabian Manning:** Yes.

**Mr. Andrew Jackson:** In any case, the answer is that we haven't costed it, nor could we cost it until we have an actual climate change plan that we could do an analysis of. I don't think it would be a huge cost.

**Mr. Fabian Manning:** I would go to Mr. Thompson, please, and your presentation.

As we all know, we adopted the Kyoto Protocol in 1997, and you finished up a report, I would say, in September 2006, looking back over those almost ten years. Just to quote you for a moment, you said:

In a nutshell, we said

- that Canada was not on track to meet its international obligations to reduce its greenhouse gas emissions,
- that Canada was not prepared to adapt to the effects of climate change, and
- that the federal government's efforts were not well organized and not well managed.

You follow that by saying, in paragraph 13, "In our report, we made a series of recommendations to address the deficiencies we had identified."

I'm wondering if you could put forward today, if possible, some of the recommendations that you think should be part of Bill C-30. Should some of those recommendations be part of the bill, or should they be just policy directives off to the side?

**Mr. Ron Thompson:** Thank you, Mr. Chairman.

If I could comment just briefly on that, I can try to explain what should be in Bill C-30. Let me take another cut at that.

In a climate change plan, a plan to address the climate change issue, we believe very strongly—and this was in the report last fall—that there's a need to have clear, measurable expectations or targets for the short, medium, and longer terms. Otherwise, there's no way of really knowing whether the plan is unfolding as it should, or whether activities being carried out during the year or over a period of two or three years are actually working. You need expectations and you need targets, and you need them for those three timeframes, I would suggest.

The other thing I would suggest it is important to have in addressing climate change would be to take those targets and capture them in what I'd call a concise periodic report to parliamentarians from time to time, so that they know in plain language whether the program is in fact being worked on and if the long-term program is having any effect. I firmly believe that kind of report is possible to prepare. In fact we're going to do a little bit of work next spring to take a look at that.

That's the key to it all, I think, sir: clear, measurable expectations or targets. Get them firmly in place so that everyone can see them for the short, medium, and longer term, and then report back on those periodically. It needn't be annually. It may be every three years or something, but then all of us—primarily members of Parliament, but the Canadian people too—could know whether or not the initiatives we're taking on are working.

• (1045)

**Mr. Fabian Manning:** So you think that should be part of the legislation?

**Mr. Ron Thompson:** It should be part of a plan. Whether it should be part of this legislation or not, I don't know.

I'm being a little evasive on that because there is Bill C-30, but there was also published, not too long ago, a notice of intent to develop and implement regulations and other measures to reduce air emissions. This is a document that I think came out of Environment Canada, so there's a little bit more to what I would call a plan than perhaps Bill C-30. That's why I was suggesting that maybe the plan that will eventually unfold isn't quite here yet.

In terms of the plan, if I can put it that way, whether it's in Bill C-30 or someplace else, these two things should be part of it.

**Mr. Fabian Manning:** Do you care to comment, Mr. Arseneault?

**Mr. Richard Arseneault:** What I could add is the fact that when we look at the way things were being implemented prior to the proposals that are in front of us, we said there were major problems with governance and accountability. Climate change is a horizontal file. It involves a number of departments, and they have to work together. What we found back then was that there were problems. Leadership was switching from one department to the other from time to time. There were structures put in place, like the Climate Change Secretariat, which was doing good work but was dismantled without being replaced. Then the central agencies got involved but said they weren't the owner of this, they were only helping, and there were issues with that.

There was a program review started under the former government and completed under the current government. The information from this I'm sure would inform the government in terms of what exactly it wants to do with these programs. These programs are managed by a series of different departments.

Therefore, the basics of good management is to get your accountabilities in shape and then, as Mr. Thompson said, it's very important that we have clear targets, clear performance expectations, and that we report on our progress. Things are not going to be perfect from day one, but once we know we can make adjustments, the government can make adjustments, and Parliament can help.

**The Chair:** Thank you very much. We're going to have to cut it off there. We'll make that the last question because we have a little committee business to do before we adjourn.

I want to thank all of the witnesses for joining us. To Mr. Brown from Vancouver particularly—it's time for your Starbucks latte or whatever—and to the witnesses who joined us personally, thank you very much. I appreciate your time. I'd like us to give them a verbal handshake, if you don't mind, so that we can stay behind and do the business of the committee. With a firm verbal handshake, thank you very much. We appreciate it.

Okay, folks, we've a couple of things to deal with. We've a notice of motion, and then I will have some guidance for the committee after we have disposed of the notice of motion, depending on which way it proceeds.

Mr. Cullen, I believe you have a motion to propose.

**Mr. Nathan Cullen:** I appreciate your adaptation and modification of committee business with the virtual handshake. It's very interesting.

The main issue that's brought forward in this motion today—and committee members can read it, but I will read it for the record—is that all instructions for amendments be submitted to the legislative counsel for drafting by 9 a.m. on March 8, 2007; that amendments be given to the clerk of the committee no later than 9 a.m. on March 9, 2007; that the clause-by-clause study begin at 9 a.m. on March 12, 2007; that at 5 p.m. on March 22, 2007, all remaining questions on

the bill be put without further debate; that the report on the bill be presented to the House on March 26, 2007.

The intention for this motion, and the reason behind it, is that witness after witness, and again today, have urged us to act with urgency. Time and time again I've put motions forward to this committee to offer paths forward for urgency. I will continue to modify them, but as we've now had a budget date presented and we have the prospect of—who knows when—an election on the horizon, establishing what it is that all the parties around the table want to get done when it comes to climate change is of great imperative prior to any confidence motions and any budget votes. This is a motion that allows us to present our best ideas on the table and have a vigorous and decent debate. We're prepared to do as many meetings as possible for a good debate, then vote on them, and present it back to the House in due course.

That 's the motion. I present it to the committee, and move it.

• (1050)

**The Chair:** Do we have discussion on the motion? No?

**Mr. Nathan Cullen:** I'd like a recorded vote.

**The Chair:** We'll move directly to the question.

(Motion negatived: nays 10; yeas 1)

**The Chair:** I'd like to provide a little bit of guidance, then, for the conduct of the business of the committee.

On January 29, 2007, the committee adopted the following work plan: "That the Committee hear witnesses until March 2, 2007; That the two week break in March be used to formulate amendments; That the Committee begin clause by clause consideration the week of March 19, 2007 and; That the Committee report the Bill back to the House no later than March 30, 2007."

At its organization meeting on December 14, 2006, the committee adopted the following motion with respect to amendments: "That amendments to Bill C-30 be submitted to the Clerk of the Committee 48 hours prior to clause by clause consideration without limiting the ability to present additional amendments at the meeting itself."

I take this to mean that members will make every effort to have all their amendments prepared and sent to the clerk so that comprehensive amendment packages can be compiled and distributed in advance of the first clause-by-clause meeting. Assuming that the committee wishes to begin clause-by-clause study on Monday, March 19, this would mean that the amendments should be in the clerk's hands by Thursday, March 15, at 5 p.m.

Is that clear to all? Okay.

If there is no further business, then this meeting is adjourned. Thank you very much. Have a good break.





**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

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