



Chamber urges federal government to avoid a cap-and-trade system

April 7, 2009 eConnecting

The Calgary Chamber of Commerce recommends that the federal government does not move forward with a cap-and-trade system and instead partners with industry on a major energy innovation drive to reduce greenhouse gases, as outlined in a briefing note prepared for Canada's Environment Minister Jim Prentice.

"Cap-and-trade represents a tax on industry that will be passed along to the consumer, raising energy prices," states the brief. "Canadians have already dismissed the concept of a 'carbon tax' (in BC and in the last federal election) and are unlikely to support energy price increases during this economic downturn."

Instead, the Chamber suggests that the federal government move quickly to provide incentives such as an Accelerated Capital Cost Allowance for clean energy production (including carbon capture and storage) and undertake a measured carbon management approach similar to Alberta.

The Government of Alberta has enacted North America's first greenhouse gas regulation, which sets targets to reduce emissions from large industrial facilities and levies a \$15/tonne penalty or the option to purchase offsets within the province for non-compliance. All penalties collected are recycled back to industry to fund technology development.

In addition, in July 2008, the Province of Alberta allocated \$2 billion to advance carbon capture and storage (CCS) projects. Funds will be distributed to encourage construction of Alberta's first large-scale CCS operation in facilities such as coal-fired electricity plants and oil sands extraction sites and upgraders.

"The provincial government's approach and leadership on this file recognizes that innovation has substantial technical and financial risk, and therefore government support is imperative," says Geoff Pradella, Vice President, Public and Government Affairs at the Chamber. "It also ensures that revenue derived from a carbon charge stays, and gets invested in the area that needs to develop technologies to reduce emissions."

The levy approach, with revenue directed to develop new technologies or value-added infrastructure, sends a clear and consistent pricing signal to industry and the marketplace, and positions Alberta as a leader in carbon management. Over the long-run, investments in new technologies and greening the province's value-added infrastructure will position Alberta companies to lead the world in low-carbon exports, says the brief.

"A cap-and-trade system is a wealth transfer mechanism and does little to direct resources to develop solutions and improve Alberta's competitiveness," says Pradella. "It is not the appropriate carbon management approach for our province or economy."

In a March 16th speech at the Calgary Chamber of Commerce, Canada's Minister of Environment Jim Prentice acknowledged the current momentum towards a cap-and-trade system; however, he said that directing carbon charges to technology development was critical. He stated that Canada



and the U.S. are likely to develop their own domestic carbon management approaches and then look for harmonization.

The Chamber has also suggested that the Government of Alberta encourage the diversification of the province's energy markets as feasible.