



Briefing Note for the Hon. Jim Prentice
Minister of Environment
Climate Change and Carbon Management Policy

March 16, 2009

The Calgary Chamber of Commerce represents over 2,300 Calgary-based businesses. On critical and emerging issues in public policy, the Chamber acts as the leading forum for debate, and advocates public policy solutions that improve the business climate on behalf of its members.

The Chamber recommends the following policy options as ways for the government to address climate change and carbon management challenges facing Alberta and Canada.

A. Canada-U.S. Climate Change Approach – Say ‘No’ to a Cap-and-Trade Program

The Chamber commends the Government of Canada for establishing a Clean Energy Dialogue with the United States on issues such as expanding clean energy research and development, deploying clean energy technology and building a more efficient electricity grid based on clean and renewable generation. Technology is critical to a cost-effective reduction of our emissions and represents a significant business development opportunity. Bilateral co-operation also provides an avenue to discuss additional Canada-U.S. initiatives, including the possibility of a cap-and-trade system.

While the Calgary Chamber of Commerce supports a Canada-U.S. approach to climate change and acknowledges that harmonized regulations provide a greater level of certainty to industry and reduce or eliminate trade competitiveness issues, our members also know that the details of any such policy can have far-reaching, and potentially harmful impacts.

As discussed in the Fiscal 2010 Budget documents, President Barack Obama’s Executive Office intends to create a cap-and-trade system with a 100 per cent auction to commence in 2012. The plan intends to use the auction proceeds to fund investments in clean energy, with projections of \$150 billion over 10 years. In its 2008 platform, the Conservative government committed to develop a North America-wide cap-and-trade program with implementation between 2012 – 2015.

The Chamber does not support a cap-and-trade system, viewing it as wealth distribution mechanism that shifts valuable resources out of an area in which they are needed to develop technological solutions to the emissions reduction challenges at the source. Cap-and-trade represents a tax on industry that will be passed along to the consumer raising energy prices. It disproportionately affects Alberta as the province is uniquely carbon-based. 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.

The Chamber supports the Government of Alberta’s balanced and sensible climate change policy approach that sets emissions intensity targets and allows non-achievers to purchase offset credits within the province or contribute to the Climate Change and Emissions Management Fund.¹ The levy approach, with revenue directed to develop new technologies or value-added infrastructure, sends a clear and consistent pricing signal to industry and positions Alberta as a leader in carbon management. Over the long-run, investments in new technologies and greening

¹ Potential investment areas include energy conservation and efficiency, demonstration and use of new technologies such as carbon capture and storage, development of carbon offset projects and climate change adaptation programs.



our value-added infrastructure will position Alberta companies to lead the world in low-carbon exports.

The Calgary Chamber of Commerce recommends that the Government of Canada:

- Does not implement a cap-and-trade program;
- Adequately consults with the Government of Alberta in the development of climate change initiatives and regulation;
- Works with the Government of Alberta to encourage diversification of the province's energy markets;
- Provides incentives such as an Accelerated Capital Cost Allowance for clean energy technologies (including carbon capture and storage; coal gasification);
- Continues joint research and development initiatives with the United States;
- Focuses on end users through energy efficiency initiatives;
- Establishes environmental targets that are based on emissions-intensity;
- Sets a clear CO₂ price signal that is realistic and provides sufficient time for businesses and consumers to adapt, takes into account capital stock turnover costs, respects international competitiveness issues, and applies across the whole economy as practical;
- Recycles any carbon charge or levy in respect to the industry and jurisdiction in which it originates to develop technology and infrastructure to reduce greenhouse gas reduction at the source;
- Permits an option for technology fund compliance; and
- Ensures that the primary use of compliance payments is to fund technology.

B. Investment in Energy Research

Alberta's prosperity is based primarily on resource wealth and innovation in the energy sector, which makes up 42 per cent of the economy. The energy industry, however, is under increasing pressure from Albertans, Canadians and the United States, Canada's largest energy consumer, to reduce its environmental impact.

While it is a formidable challenge to move from 'carbon intensive' to 'carbon smart', managing the environmental impact and carbon footprint of industry also represents tremendous business opportunity – to create the 'Silicon Valley' of energy innovation, centred in Alberta. If achieved, it would position the province as a global leader in carbon capture and storage and clean coal, with the potential to export these technologies worldwide. However, because the research and development of innovative processes such as carbon capture and storage (CCS) have substantial technical and financial risk, government support is imperative.

In the 1970s, the Government of Alberta and industry joined forces to collaborate and invest in a new vision of energy development for the province by allocating \$2 billion in oil sands research through the Alberta Oil Sands Technology Research Authority (AOSTRA). This led to important technical innovations such as Steam Assisted Gravity Drainage (SAGD). It is estimated that this investment will yield total government revenues of \$123 billion dollars (income tax, royalties, corporate tax, provincial sales tax, GST, property tax, etc.) and a total increase in GDP of some \$885 billion from investment and development in oil sands during the period 2000 – 2020, a significant return on the government's investment.² The federal government is estimated to be the largest recipient of revenues with \$51 billion, or 41 per cent.

² Canadian Energy Research Institute (CERI). (2005). *Economic Impacts of Alberta's Oil Sands. Volume 1.*



Given the risk to our economy from climate change and other environmental issues, it is time once again for joint industry-government action, similar to that which was undertaken for the commercialization of the oil sands, but recognizing the economic realities of today.

The Chamber welcomed the Government of Alberta's introduction of the *Alberta Research and Innovation Act* to strengthen and align the entire research and innovation system and the *Carbon Capture and Storage Fund Act* which will establish a \$2 billion fund to advance carbon sequestration technology. Our members, however, support an even more aggressive approach. Consequently, the Chamber has advocated for a special purpose endowment fund to attract the best and brightest researchers on energy-related issues, including alternative energy sources and carbon management technologies.

Federal government support for research and commercialization will be essential to this initiative. The Chamber views the Green Infrastructure Fund announced in the 2009 federal budget as a positive step, and urges the federal government to make further commitments to spur energy innovation, including carbon capture and storage.

The Calgary Chamber of Commerce recommends that the Government of Canada:

- Raise the priority and capacity of energy innovation research, and signal its importance to the world through partnership with the Government of Alberta to support carbon capture and storage and other promising research and development initiatives to reduce environmental impacts.