

# **From Politics to Practicality: Implementing Kyoto**

Metropolitan Halifax Chamber of Commerce  
Recommendations

February 2003



## **“From Politics to Practicality: Implementing Kyoto”**

In 1997 Canada, along with the United States and approximately 160 other countries, signed the Kyoto Protocol on climate change and reducing greenhouse gases (“greenhouse gas” includes carbon dioxide, methane, water vapour, nitrous oxide, ozone, and halocarbons, etc.). The United States withdrew its support in 2001, and is pursuing a “Made in USA” climate change plan. Canada has ratified the Protocol in both Parliament and the Senate in December 2002. By doing so Canada has accepted the toughest emission reduction targets of the signatories, 6% below 1990 levels by the reference period 2008-2012, or approximately 30% below projected total emissions of 809 megatonnes or a decrease of 240 megatonnes.

The ratification of the Kyoto Protocol raises several questions. Can Canadians, businesses, and governments actually achieve the 30% reduction within the decade? How? Can it be done without causing irreparable damage to our economy and Canada’s competitive position, especially with the United States that represents in excess of 80% of our export market? These are all questions of concern to the Metropolitan Halifax Chamber of Commerce.

### **Participation on Implementation Plan**

Since the Canadian government did not complete a 10-year implementation plan prior to signing the agreement, it is now even more imperative that all levels of government, together with industry and individuals, co-operate in creating a long-term plan. At this year’s Energy and Mines Ministers Conference in September, the Nova Scotia government must request the federal and provincial governments and industry to develop a “Kyoto Implementation Plan” as soon as possible and make it available for wide public consultation prior to acceptance. Improving the environment and reducing green house gas emissions is a challenge in which all participants must become involved: individuals; small businesses; larger commercial entities, especially in the utility, transportation and energy sectors; and the various levels of government.

### **Protect Nova Scotia’s Interests**

The Nova Scotia government must aggressively defend the province’s interests by ensuring the objectives of the Climate Change Strategy, as contained in the 2001 provincial Energy Strategy, are accomplished. These objectives include:

- intergovernmental cooperation to implement the National Implementation Strategy on Climate Change;
- ensuring all Canadian jurisdictions equally share the burden of implementing a national response to climate change,
- and implementing a long-term strategy to reduce greenhouse gas in Nova Scotia.

The Province's Energy Strategy suggests that all provinces should “equally” share the burden of implementing a national response to reduce green house gas emissions. The Chamber recommends that Nova Scotia seek to achieve “equitable” in the calculation for burden share, to make the burden more proportionate, rather than “equally”, to more

appropriately reflect Nova Scotia's situation of dependence on coal-fired electricity generation.

### **Stranded Power-Generating Assets**

It is imperative that the federal government understands that the impact Kyoto will have on our Province is further heightened because of Nova Scotia's reliance on coal-fired electricity. The underlying issue for the electricity sector is the age, and potential stranding, of Nova Scotia Power's assets relative to the Kyoto implementation time frame. Nova Scotia's power generating assets are, at most, in midlife. Replacing them, in order to comply, before the end of their life span will impose a very high cost on Nova Scotians.

Nova Scotia is the third highest per capita emitter of greenhouse gasses. Our electricity generation is 70-80% coal-fired and represents approximately 38% of the province's emissions; transportation is 27%; industrial entities 10%; and all others 25%. Unless a practical plan is developed as it relates to Nova Scotia, our electricity rates will increase sharply in the period 2008-2012. The investment made by Nova Scotians in coal-fired electricity generation over the past 25 years should not become "stranded asset costs" and possibly an inhibitor of future economic growth. The Province must take steps to ensure the viability of Nova Scotia Power's assets.

### **Clean Energy Targets**

Nova Scotia must get credit for clean energy sources in emission target calculations. Nova Scotia's offshore natural gas industry will increase the level of greenhouse gas emissions produced. Unless the province and the nation get credit for producing these cleaner energy sources, the success of our offshore sector could actually hurt our greenhouse gas emission performance and require even higher reductions in other sectors. The Chamber recommends the Nova Scotia government take an aggressive approach and inform the federal government that it will calculate its emission reduction targets on a "net basis" after giving itself "credit" for the clean energy equivalent of its natural gas production.

### **Clear Evaluation Policies**

The Government of Nova Scotia needs to ensure that the implementation of the Kyoto Protocol does not discriminate against this province's ability to grow its economy during the next decade or after the period 2008-2012. Clear policies are needed on how new industries are to be evaluated with respect to "emission permitting" once the current targets are implemented. This is of critical importance to Nova Scotia's ability to attract and develop new industries.

### **Timing**

The Chamber is committed to a realistic solution to climate change that does not impair economic growth. It is committed to supporting a greenhouse gas emission reduction plan that provides equitable treatment to all sectors of the Nova Scotia economy through clear reduction targets. To avoid impairing economic growth, particular business sectors needing more time to make significant cuts in greenhouse gas emissions should be eligible for less stringent Kyoto deadlines.

## **Cost Certainty**

Gasoline and other energy prices will rise as businesses pass on the costs of meeting Kyoto to consumers. Job losses, eroding economic growth, and increased government spending to cover Canada's obligations under Kyoto are possible outcomes. The federally proposed credit or cap of \$15 per tonne of emissions would give businesses some degree of "cost certainty" assurance needed to fund major infrastructure projects which often depend on projections of decades-long profitability levels. The Province should insist that the federal government implement the emission cap to provide some degree of cost assurance to business.

## **Tax Incentives**

The Chamber believes the federal government should consider tax incentives to consumers and small/medium-sized enterprises to retrofit homes and commercial buildings to make them more energy efficient. Additionally, financial incentives introduced by the federal government in 2001 to accelerate the growth renewable energy industries in wind, solar and tidal energy should be reviewed and expanded where possible.

## **Conclusion**

The global challenges of climate change and the need to reduce greenhouse gases will remain a significant and very complex public policy issue for many decades to come. The Kyoto Protocol could have material impacts on our individual and business activities. The Chamber will continue to gather information on Kyoto and advocate on behalf of the Metro Halifax business community.

An overall concern with the ratification of Kyoto is the unknown. We have not heard any clear plans or recommendations as to how individuals and businesses will have to comply with Kyoto. Businesses do not even know yet what the cost of compliance will be. This is of great concern to the Chamber and to large and small business alike – business needs a stable regulatory climate if it is to operate effectively. We look forward to hearing more from the federal and provincial governments on the business implications of Kyoto.

The Metropolitan Halifax Chamber of Commerce represents 2,500 businesses, which employ more than 60,000 people; it is the oldest Chamber in North America and one that continues to act as a "model" for other Chambers across the continent. The Chamber represents the interests of business on policy changes that will impact the economic sustainability of business in our region, making Halifax an even better place in which to live, work and do business.

## Summary of Recommendations

### **Participation on Implementation Plan**

At this year's Energy and Mines Ministers Conference in September, the Nova Scotia government must request the federal and provincial governments and industry to develop a "Kyoto Implementation Plan" as soon as possible and make it available for wide public consultation prior to acceptance.

### **Protect Nova Scotia's Interests**

The Nova Scotia government must aggressively defend the province's interests by ensuring the objectives of the Climate Change Strategy, as contained in the 2001 provincial Energy Strategy, are accomplished.

Nova Scotia seek to achieve "equitable" in the calculation for burden share, to make the burden more proportionate, rather than "equally".

### **Stranded Power-Generating Assets**

The Province must take steps to ensure the viability of Nova Scotia Power's assets and ensure stranded assets do not occur in Nova Scotia.

### **Clean Energy Targets**

Nova Scotia government take an aggressive approach and calculate its emission reduction targets on a "net basis" after giving itself "credit" for the clean energy equivalent of its natural gas production.

### **Clear Evaluation Policies**

Clear policies are needed on how new industries are to be evaluated with respect to "emission permitting" once the current targets are implemented.

### **Timing**

To avoid impairing economic growth, particular business sectors needing more time to make significant cuts in greenhouse gas emissions should be eligible for less stringent Kyoto deadlines.

### **Cost Certainty**

The Province should insist that the federal government implement the emission cap to provide some degree of cost assurance to business.

### **Tax Incentives**

The Chamber believes the federal government should consider tax incentives to consumers and small/medium-sized enterprises to retrofit homes and commercial buildings to make them more energy efficient.