



Climate Change

Issue

The convergence of environmental concerns, energy security and green job creation as key themes in policy-making discussions in the United States represents a potential transition from the current primarily fossil fuel driven nature of electricity and transportation fuel markets in North America. This presents a particular economic and technological challenge to Alberta and Canada given the role of hydrocarbon development and export in our energy system and economy.

Calgary Chamber of Commerce Position

The Calgary Chamber of Commerce's vision for action balances the environment and economic prosperity for the future of Alberta's energy industry. It envisions Alberta and Canada as a leading low carbon energy user, producer and exporter. Being a leader in developing low carbon emission technologies will help reduce Alberta's and Canada's footprint and create economic opportunities to provide solutions to the rest of the world.

Key Elements

Emissions pricing

Emissions pricing will be a critical policy tool in creating market signals that elicit investment and innovation to reduce GHG emissions. With the wrong design, emissions pricing will divert financial resources to jurisdictions where they are least needed. Emissions pricing should therefore adhere to the following principles:

- Establish targets and timeframes that are realistic, do not pick winners and losers through market distortion, do not automatically shut out any potential energy sources, and respect capital cost turnover rates.
- Include provisions for cost containment (e.g. ceiling price, floor price, and/or strategic offset reserve) to minimize financial risk and provide investment certainty.
- Broadly apply to GHG emissions economy-wide (beyond large industrial emitters) and ensure equitable treatment among and within sectors.
- Allow for equivalency agreements across jurisdictions.
- Provide an opportunity for contributions to technology development as a major option for compliance (e.g. contributions to a Technology Fund) with no phase out of this option as outlined in the federal plan.
- Recycle any carbon charge or levy within the industries and jurisdictions in which it originates to develop technology and infrastructure to reduce GHG emissions at the source.

For any emissions pricing design, the government must clearly communicate to Canadians the cost of proposed measures. Emissions pricing design must take into account the ability and willingness of consumers to shoulder these costs, and Canada's role as an energy exporter. A Canada-U.S. cap-and-trade system has the potential to transfer significant financial resources out of the country to cover allowance payments. An option to comply by paying into a Technology Fund must be a critical component of any cap-and-trade design.

5 MINUTE POLICY BRIEFS



Industry and government collaboration in energy research

Emissions pricing can spur innovation and lead to transformative technology development in the long-term. However, the political and economic realities of setting an emissions price that allows consumers to adjust, means technology that has a high cost and substantial technical risk is not likely to move forward until the carbon price rises substantially and government policy certainty is established. A partnership between industry and provincial and federal governments (including the United States) will be necessary to immediately capitalize on emerging technologies that are deemed promising but too expensive to implement in their current state.

Diversifying customer markets and electricity transmission options

Due to its extensive reserves and small population, Canada is one of the few net energy exporters in the world. Its almost singular dependence on the U.S. market creates a poor bargaining position for trade and environmental regulation. With growing concerns about U.S. reliance on foreign sources and rising demand for energy from the emerging economies of China, Japan, Korea, and Taiwan, it is prudent for Canada to look at diversification of customer markets. Proposed pipeline projects (e.g. Northern Gateway, and Kitimat LNG terminal) could provide new export options to Asian markets, and improve Canada's position in future negotiations with the United States. A key element to diversifying markets will be timely regulatory decisions for pipelines. It will also involve working closely with federal departments and agencies and the Government of British Columbia to remove impediments to development.

Electricity transmission across Canada, and to the United States, is also critical to connecting clean energy and renewable sources of power production to customer markets. Alberta has the lowest interconnection capacity of any province in Canada and is poorly connected to its U.S. and Canadian neighbours. Indeed, Alberta has the lowest import/export capacity in the Western Electric Coordinating Council. The U.S. government has clearly signaled its intention to build new transmission lines to access renewable energy sources. Without significant additions to Alberta's export capability, clean and renewable energy sources such as wind power will be unable to access market opportunities in the U.S. and other Canadian provinces. New generation technology such as coal-fired plants with carbon capture and storage will be similarly constrained. In order to maximize provincial and federal benefits, both economically and environmentally from electricity trade, the development of new transmission infrastructure is essential.

Broadening the domestic policy discussion to include energy efficiency and demand side measures (DSM) and other policy tools

Canada is one of the world's largest energy consumers, measured in terms of per capita energy consumption and energy intensity (due largely to its climate and geography). CO₂ emissions are often created during consumption, not in the development of energy (e.g. about 80 per cent of GHG emissions from a barrel of oil relate to the end user). Clear demand side measures (DSM) are critical to the climate change policy discussion.

The Chamber of Commerce endorses initiatives contained within the recent Alberta Energy Strategy including:

- The implementation of smart metering and smart grids;
- Strengthening of building codes to reduce energy use and supporting retrofit/renovation programs; and
- Promotion of urban planning that increases population density and public transit access.