

NEW REPORT TAKES INVENTORY OF GREENHOUSE GAS REDUCTION POLICIES

TD Economics aims to provide better understanding on policy options available; calls tax vs. trading debate overblown

TORONTO -- Action to reduce greenhouse gas (GHG) pollution in Canada is being hampered by a lack of analysis on the most efficient policies from an economic and environmental perspective, according to Don Drummond, Chief Economist at TD Bank Financial Group.

This has led to a reign of confusion with various factions arguing the relative merits of key policy options such as regulation, cap-and-trade and carbon taxation. Mr. Drummond said: “The uncertainty around this vital issue poses a serious cost as businesses have little idea how to factor future environmental policies into their planning.”

To help remedy the situation, TD Economics engaged The Pembina Institute to conduct a survey of existing studies and international experience. The newly published paper, entitled "*Choosing Greenhouse Gas Reduction Policies in Canada*", identifies and assesses policies against a set of criteria to determine the most efficient and effective options.

Authors Clare Demerse and Matthew Bramley wrote: “It is clear that financial incentives, voluntary measures and public information policies are not adequate to reduce Canada's total national emissions on their own. Canadian governments must implement policy options at the more mandatory end of the policy spectrum.”

The right policy mix will necessarily span numerous jurisdictions: no one government controls all the levers. The level of ambition that governments set also matters, although recommending an appropriate emissions target for Canada is beyond the scope of the report.

Three broad themes emerged from the Report.

Strong consensus

The review uncovered far more areas of consensus than of disagreement among experts. For instance theory and practice confirm that reducing emissions in a cost-effective way starts with a clear price signal that reflects the costs of GHG pollution. Complementing that price signal with targeted regulations and spending can increase its effectiveness, and governments have a number of proven policy options to choose from to do this.

2...INVENTORY OF GREENHOUSE GAS REDUCTION POLICIES

Ongoing debate

Several recent announcements of emissions trading and carbon tax proposals have produced a heated “tax vs. trading” discussion in media and political circles in Canada. However, careful assessment shows that the two approaches have far more in common than their respective proponents tend to suggest. *(An attachment from the Report provides a detailed comparison.)*

Moreover these two carbon pricing strategies are necessary but not sufficient. A comprehensive suite of policies — so-called “silver buckshot” rather than a silver bullet — are likely needed in addition to a carbon price signal in order to capture reasonably-priced emission reduction opportunities that would otherwise go unrealized.

Further research is required

As governments move to implement climate policies in Canada, this paper has found several areas where further research would be beneficial. These areas include:

- The specific policies and price levels needed to overcome market barriers that can prevent consumers and businesses from taking up cost-effective options to reduce emissions.
- An independent assessment of the vulnerability of various Canadian industrial sectors to competitiveness impacts from carbon pricing, and, if vulnerability is found, the policies best suited to mitigate that vulnerability

Mr. Drummond concluded: “The most recent climate science strongly suggests that there is no time for delay. It’s our aim to provide policy makers with concrete and comprehensive resources to ensure they can develop climate policies that work for both the environment and the economy.”