

Canada to engage with US on emissions trading

The Canadian Government has resolved to engage with the US in pursuing a coordinated approach to energy and environmental challenges, according to Canadian Environment Minister Jim Prentice. Canadian Prime Minister Stephen Harper and US President Barack Obama will soon meet to discuss measures both countries can pursue. Prentice says a key objective should be a common cap-and-trade system that will allay competitiveness concerns in both countries (particularly if the system eventually includes Mexico). "But we also believe a cap-and-trade system will be insufficient on its own," says Prentice. He says a bilateral agreement should begin with shared targets and timetables, a common carbon market and price, and standards and mandates "based on science and common sense". However, Prentice says the two countries need to go further. "We need to go beyond targets and talk to concrete action plans – actions that will reduce not just greenhouse gas emission levels, but North America's dependence on foreign oil," he says. The Canadian Government set a target in 2007 to reduce total greenhouse gas emissions in 2020 by 20 per cent from 2006 levels. Prentice says Canada has been criticised for its decision to commence its regulatory regime with an intensity-based performance standard, rather than an emissions trading scheme. "I emphasise *commence* because it has been our stated intent, from the outset, to eventually move to a hard cap-and-trade regime as we gained more experience, and in light of international developments," Prentice says. He explains that Canada chose to start with an intensity-based system because the government wanted to encourage investment in innovation. "And we did not want to reward firms for moving some operations to jurisdictions still without climate change regulations – locations like China, Mexico and the US," he says. Prentice says an intensity based system rewards only improved efficiencies and does not provide a credit for reduced emissions caused solely by reduced production levels. Canada's regulations for major industrial emitters of greenhouse gases are scheduled to come into effect from January 2010.

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