



Briefing Paper 9

Opportunities and challenges for Canada to exceed its Paris Agreement target

August 2017

Executive Summary

Canada's Paris Agreement pledge or nationally determined contributions (NDC), submitted by the previous government to the United Nations Framework Convention on Climate Change (UNFCCC) on 15 May 2015, includes 'an economy-wide target to reduce our greenhouse gas emissions by 30% below 2005 levels by 2030'.¹ Conjecture surrounds the likelihood of Canada achieving this target.² Some climate models and policy papers have found that Canada will likely fall short of this target, while some policy insiders strongly suggest that Canada will achieve this target quite easily. The Prime Minister of Canada, Justin Trudeau, elected on 19 October 2015, has repeatedly said publicly that he wants Canada to 'take on a new leadership role internationally' on climate change, including in *Canada's National Statement* at the 21st Conference of the Parties (COP21) in Paris.³ Based on these international climate leader overtures, this briefing paper assumes that Canada will *at least* meet its Paris pledge. The Parliament of Canada ratified the Paris Agreement on 5 October 2016.

The Paris Agreement, which entered into force on 4 November 2016, aims to strengthen the global response to the threat of climate change including 'by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels', and achieve net zero emissions in the second half of the century.⁴ However, the Parties to the Agreement emphasise 'with serious concern the urgent need to address the significant gap between the aggregate effect of Parties' mitigation pledges in terms of global annual emissions of greenhouse gases by 2020 and aggregate emission pathways consistent with holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'.⁵ The next few years are therefore absolutely crucial to closing the gap between where we are currently heading (an increase of 2.7-3.7°C) and where we need to be to achieve the goals of the Paris Agreement.

Climate modellers from the University of Melbourne, the Potsdam Institute for Climate Impact Research, and the International Institute for Applied Systems Analysis have calculated the average of Canada's fair shares⁶ of the global emissions reduction burden, and found that Canada would need to reduce emissions by 51% below 2005 levels by 2030 to ensure consistency with the 2°C goal, and 69% for the 1.5°C goal.⁷ They have also calculated that reducing emissions in the range of 51-69% would place Canada at the forefront of G20 climate ambition, and as a leader for the ratcheting-up process of the Paris Agreement.⁸

By 2020, Parties are invited to either communicate a new NDC⁹, or re-communicate or update their existing NDC.¹⁰ The facilitative dialogue in 2018¹¹ provides a vital opportunity to provide the information, conditions and political signals necessary to empower Parties to enhance their ambition by 2020. This process provides an opportunity for Canada to take on a leadership role internationally on climate change.

Introduction

This paper is divided into three parts.

First, we examine Prime Minister Trudeau's commitment to reconnect Canada to its internationalist foreign policy tradition. We show that this tradition presents an opportunity for Canada to commit to a stronger Paris target, but federal-provincial climate politics may prove challenging.

Second, we examine Canada's oil sands industry.¹² We show that fossil fuel dependency operates as a significant domestic constraint over Canada exceeding its Paris target, which again is accompanied by federal-provincial obstacles.

Third, we identify a range of domestic policy opportunities that could help achieve a strengthened national target of 51-69% below 2005 levels by 2030.

Understanding change: Canada's foreign policy traditions

How can we understand the change in Canadian climate diplomacy and climate policy from prime ministers Stephen Harper to Justin Trudeau? One way is to shine a light on their alternative approaches to foreign affairs.

Prime Minister Harper's preferred method and focus of international problem solving involved building alliances distinct from the United Nations (UN) and its legal instruments and processes. In contrast, Prime Minister Trudeau supports Canada's most enduring foreign policy tradition, liberal internationalism, which above all demands pursuing multilateral solutions to international problems, particularly via the UN.

This section shows that the internationalist tradition, accompanied by the *international climate leader* narrative, has helped Prime Minister Trudeau redefine what climate diplomacy and domestic policy is considered normal and acceptable, and what is not. However, the climate leadership narrative is largely incompatible with Canada's present NDC (30% below 2005 by 2030). The NDC better aligns with the *playing our part* narrative – dominant under the previous government. Rather, Prime Minister Trudeau's climate leader narrative is significantly compatible with an NDC target range of 51-69% below

2005 by 2030, and the *closing the gap* narrative of the Paris Agreement, which the Federal Parliament of Canada has ratified.

Prime Minister Harper's climate diplomacy and approach to foreign affairs

Former Prime Minister of Canada, Stephen Harper (2006-2015), of the Conservative Party, vigorously rebuffed climate multilateralism. In opposition, he consistently argued that the Kyoto Protocol did not serve Canada's interests. In 2006, soon after his election victory, he announced that Canada's Kyoto target—6% below 1990 levels by 2012—was 'unfair' and his government would not seek to achieve it. At the UNFCCC negotiations in Bali in 2007, his government tied with the Bush administration winning 14 'Fossil of the Day' awards (a dubious honour given to a country that has done the most in the past 24 hours to stop a meaningful response to climate change).¹³ In 2009 at the UN climate negotiations in Copenhagen he pledged that Canada would reduce emissions by 17% below 2005 levels by 2020 (11% above 1990 levels), a much weaker target than its Kyoto target. And in 2011 he formally withdrew Canada from the Kyoto Protocol on the basis that the country would fail to reach its target. The following year, as expected, Canada reported an emissions increase of 18% above 1990 levels.

In the post-2012 UNFCCC negotiations, the Harper government sought to reassure the Parties that Canada was still prepared to contribute. At the climate negotiations in Lima, Leona Aglukkaq, Canada's then Minister of the Environment (2013-2015) declared that we are 'a country that has always done its part. And will continue to do its part.'¹⁴

In May the following year, only months before Canada's federal election, the Harper government submitted Canada's Intended Nationally Determined Contribution (INDC)—an outline of the climate action plan a nation intends to take under the Paris Agreement—to the UNFCCC, it stated:

Canada remains committed to doing our part to address climate change. As part of our contribution to a new global climate change agreement, Canada

intends to achieve an economy-wide target to reduce our greenhouse gas emissions by 30% below 2005 levels by 2030.¹⁵

Prime Minister Harper's capacity to announce this stronger target was predicated on the policy-induced emissions reductions over the 2000s by Canada's larger provinces that were tired of the federal government's failure to act and hold many of the legal powers for emissions reductions in energy.¹⁶

However, the target was criticised on the basis of its appropriateness to contribute to the global effort to hold global average temperatures to 'well below' 2°C above industrial levels as stipulated in the Paris Agreement. For example, the World Resources Institute (WRI), a think-tank, calculated that Canada's NDC target implied a decarbonisation rate from 2020-2030 at roughly 1.7% per year, a significantly less ambitious rate than the EU-28 and the US at 2.8% per year.¹⁷

Instead of climate multilateralism, Prime Minister Harper prioritised bilateral and interest-based regional climate agreements, for example, the idea of establishing a Canada-Australia uranium producer partnership, or expanding the number of countries included in the Asia Pacific Partnership on Clean Development, a climate regime some have dubbed 'the coal club'.¹⁸

Prime Minister Harper's disinterest in climate multilateralism was consistent with his general approach to foreign affairs. He regularly railed against the UN, at one point articulating his government's international purpose as: 'no longer just to go along and get along... [and] to please every dictator with a vote at the United Nations'. 'I don't know why past attempts to do so were ever thought to be in Canada's national interest', he added.¹⁹

A long list of examples stem from this worldview and style of diplomacy including the downgrading and defunding of peacekeeping operations, landmine removal, and foreign aid contributions, as well as routine condemnation of the accountability and effectiveness of the UN General Assembly.

According to Kim Richard Nossal, an eminent foreign policy scholar at Ontario's Queen's University, Prime Minister Harper 'disrupted Canada's attachment to internationalism... an approach [to foreign affairs] that

had dominated for sixty years – since Pearsonian Internationalism.²⁰ Instead, he says, Prime Minister Harper 'exhibited many of the attributes of American-style neo-conservatism', which among other things, means assertively spurning multilateralism.²¹

But this was about to change, and along with it, Canada's international and domestic climate policies.

Prime Minister Trudeau's climate diplomacy and approach to foreign affairs

On 19 October 2015, the Liberal Party, led by Justin Trudeau, won Canada's federal election, and ended Prime Minister Harper's near decade in office from 2006-2015. During the campaign the then Opposition Leader, Trudeau, had promised voters a dramatic change in tack on climate change from the 'years of climate inaction and denial' under his predecessor.

He wasted no time, moving immediately to reframe Canada as a potential international climate leader, as opposed to a country that simply contributes, in other words 'plays its part'. Policy shifts followed closely behind.

- On 30 November 2015, at UN climate talks in Paris, Prime Minister Trudeau's declared that 'Canada will take on a new leadership role internationally'. To achieve this, he added, his government would build on existing provincial climate policies including cap-and-trade schemes, bans on coal-fired electricity generation, and a revenue-neutral carbon tax.²²
- On 10 March 2016, sharing the stage with US President Barack Obama, Prime Minister Trudeau said that in terms of Paris Agreement implementation 'our international partners expect and, indeed, need leadership from us on this issue'. In this instance, leadership would be achieved by signing the Agreement as soon as possible, committing to rally G20 countries behind the Agreement, promoting North American carbon markets, and capping methane emissions from hundreds of thousands of existing oil and gas wells.²³
- On 22 April 2016, Prime Minister Trudeau signed the Paris Agreement during a ceremony at the UN in New York. In his opening remarks, he flagged that his government was working on a climate action

plan with the provinces to help ‘meet or exceed our emissions targets’ of cutting emissions by 30% below 2005 levels by 2030, and investing billions in a low carbon economy fund and supporting research and development into clean technology.²⁴

- On 29 June 2016, Prime Minister Trudeau, President Barack Obama, and President of Mexico, Enrique Peña Nieto, announced the establishment of the North American Climate, Energy, and Environment Partnership. The Partnership aimed for North America to generate 50%, up from 37%, of its electricity from clean energy by 2025, including renewable, nuclear, and carbon capture and storage technologies, among other initiatives.²⁵

As this policy timeline suggests, Prime Minister Trudeau is a committed internationalist, some even calling it ‘uninhibited internationalism’.²⁶ Indeed, the shift from Prime Minister Harper to Prime Minister Trudeau is most evident in the reaffirmation of Canada’s commitment to cooperative multilateral problem solving and middle power diplomacy, which puts a premium on mediation, conciliation, and an almost systematic participation in UN processes.²⁷

Prime Minister Trudeau’s reconnection to Canada’s internationalist tradition has guided strong diplomatic efforts to acquire one of the rotating seats on the Security Council in 2020, and a renewed attentiveness on what former UN Secretary General, Kofi Annan, has described as transnational ‘problems without passports’ – including human rights, gender and wealth equality, poverty alleviation, peacekeeping and humanitarian aid.

Also compatible with this tradition was Canada’s formal ratification of the Paris Agreement on 5 October 2016 –MPs voting decisively, 207 to 81 in support.

However, if serving climate multilateralism was all that mattered, why hasn’t the Prime Minister sought to ratchet-up Canada’s GHG emission target to beyond 30% below 2005 levels by 2030, a target set by the previous government?

The internationalist tradition would allow for this, and perhaps even demand it given the Prime Minister’s ethically sound interpretation of it. Furthermore with a coal phase-out already completed in Ontario²⁸ and underway in Alberta, the increasing regulations on oil sands opera-

tions in Alberta, and the establishment of a nation-wide carbon price in 2018—as well as the Prime Minister’s vocal commitment for Canada to take on an international leadership role on climate change—one would assume that the 30% cut should be reached fairly easily.

However, there are two key dynamics that will help shape the possibilities and limits of a sustained shift in Canadian climate policy: the constitutional division of powers between federal and provincial levels, and the dependence of the Canadian economy on fossil fuels.²⁹

Next we explore Canada’s recently announced national carbon price, and the impact that constitutional machinations may have on its ultimate form and design.

Canada’s national carbon pricing plan

On 3 October 2016 Prime Minister Trudeau announced that a nation-wide carbon pricing scheme would be up and running by 2018. The scheme would ‘force business to innovate and create new jobs’, asserted the Prime Minister, and ensure Canada was not ‘left behind’ as ‘the global economy becomes increasingly clean’.³⁰

The proposed scheme would establish a price on carbon emissions starting at a minimum of \$C10 per tonne in 2018, rising by \$C10 per tonne annually over four consecutive years to reach \$C50 per tonne in 2022.³¹ It envisages that coal would no longer be used to generate electricity in Canada by 2030.³²

Under the scheme, provinces and territories could choose how they implemented the price, either by way of a direct tax on carbon emissions or emissions trading scheme, with the ‘expectation that it be stringent enough to meet or exceed the federal benchmark’.³³

‘After decades of inaction, after years of missed opportunities, we will finally take real and concrete measures to build a clean economy, create more opportunities for Canadians, and make our world better for our children and grandchildren’.

Canadian Prime Minister, Justin Trudeau,
House of Commons, 3 October 2016

Provinces with one or the other already in place—Quebec, Ontario, Alberta and British Columbia—were urged to build on what they had already done. If a province had neither in place by 2018, the federal government would implement a price in that jurisdiction. The scheme would be reviewed in 2022. As one could expect, federal-provincial negotiations and politics followed.

Federal-provincial climate politics

On 8-9 December 2016, Prime Minister Trudeau met with provincial premiers to finalise the details of the scheme. In the evening of the final day, the Prime Minister and 11 of 13 provincial and territorial leaders announced that they had agreed on, and signed, a national climate framework: the Pan-Canadian Framework on Clean Growth and Climate Change. The joint communiqué from the meeting stated:

The actions taken under the Framework will contribute to meeting or exceeding Canada's 2030 climate change target of a 30% reduction below 2005 GHG levels.³⁴

The biggest provinces—Ontario, Quebec, British Columbia and Alberta—supported the Framework. This group were already implementing some form of carbon pricing scheme (Ontario and Quebec had a cap-and-trade program, while British Columbia had a carbon tax). Combined, these provinces generated 80% of Canada's total GHG emissions. Alberta, home of the oil sands, had just elected a left-wing premier, Rachel Notley, ending 44 years of unbroken rule by the centre-right government, which removed a strong source of opposition.

However, it took Prime Minister Trudeau a year to herd the fractious premiers towards the deal. Both British Columbia and Alberta had longstanding requests for the federal government to approve oil and gas projects, including one to export liquefied natural gas from northern British Columbia, and another to transport Albertan crude to a port near Vancouver. According to Paul Boothe, a former deputy environment minister, these decisions may well have brought Alberta and British Columbia on board. 'They needed to be assured they can develop their resources', he says, 'it was a very important part of the political calculus'.

Box 2: Federal-provincial politics (Climate)

Federal-provincial politics is a critical determinant to the future of Canadian climate policy. The Federal Government has distinct limits on its capacity to control and direct Canadian climate policy. Under the constitution, Ottawa has no jurisdiction over major GHG-emitting activities such as natural resource extraction and electricity generation, among others, and it is yet to be tested whether it can unilaterally force a deal between the provinces. In short, the sites of climate policy decision-making and implementation are highly dispersed.³⁵

The premiers of resource-rich province Saskatchewan, as well as Manitoba, both said they would not sign the agreement.

Saskatchewan Premier, Brad Wall, who is a climate sceptic, raised concerns about the legality of the federal government imposing a carbon price on the provinces 'we'll probably see them in court', he said.

While Manitoba Premier, Brian Pallister, held-out on the basis of the federal government refusing to increase healthcare funding for the province's ageing and large indigenous population. On 3 March 2017, however, Pallister announced he was ready to negotiate, indicating that Manitoba would adopt a cap-and-trade system, similar to Ontario and Quebec.

To date, Prime Minister Trudeau has only secured handshake commitments from the premiers leaving their successors free to reverse course; Ontario, Quebec, New Brunswick and Nova Scotia will hold elections in 2018. Further, while the federal government says it can impose a carbon price on recalcitrant provinces, this power is yet to be tested in court. For now, nothing besides the fear of being accused of flip-flopping binds the premiers to their word.

Understanding continuity: Canada's oil exports

How can we understand the continuity in Canadian climate diplomacy and climate policy from Stephen Harper to Justin Trudeau (eg. a constant NDC target)?

In what follows we shed light on a second major constraint on Canadian policy and climate diplomacy: the desire of federal governments of both major political persuasions—conservative and liberal—to improve global market access for Canada's oil sands operations.³⁶ Federal-provincial politics are critical to this discussion as well.

Prime Minister Harper's oil diplomacy and approach to fossil fuel affairs

The reluctance of Canadian governments to address climate change adequately was underpinned by a profound shift in the structure of the national economy from the early 1990s onwards towards the oil sector, which was cemented in 2006 with the election of Prime Minister Harper's Conservative Party.³⁷

Prime Minister Harper consistently promoted the vision of national prosperity intimately linked to natural resource exploitation and the notion of Canada as an 'energy superpower'.³⁸ The approval of the Keystone XL (KXL) expansion (see Map 1) was critical to this vision.

Prime Minister Harper was an ardent supporter of this highly controversial proposal. 'It absolutely needs to go ahead', he argued, 'all the facts are overwhelmingly on the side of approval', including its potential to generate a vast number of 'jobs across the country' and sustained economic growth.³⁹

He was largely unconcerned about the potential environmental problems associated with the proposal and urged against 'exaggerated' environmental claims, while setting in train audits on several environmental NGOs opposed to its expansion and supporting delays on the release of scientific information that drew links between oil sand operations and climate change.

Given the pipeline would run through the US, Prime Minister Harper needed President Obama's approval.

Map 1: Alberta's existing and proposed oil pipelines



Source: Adapted from *The Economist* November 2015

His government's brazen oil diplomacy in Washington included funding for all sorts of publicity in support of the pipeline such as billboard advertising on the Washington metro. He also dispatched multiple convoys of ministers to the US capital to directly lobby their counterparts, while he lobbied the President personally.

Job creation was his focus claiming the project 'has the capacity to employ up to 30,000 people on both sides of the border'. Gary Doer, Canada's US ambassador, estimated more—42 100 jobs. Secondary arguments included the prediction of lower petrol prices for Americans and a reduced American dependence on oil from the Middle East, which, added Prime Minister Harper, would also be more 'ethical' because oil sand purchases wouldn't help fund terrorism. Such was Prime Minister Harper's devotion to the KXL project that he once told an audience in New York 'I will not take no for an answer'.

President Obama, in contrast, opposed the plan and was thoroughly unconvinced about the economic merits of the proposal and worked to block it. In 2013, for

Box 3: Canada and GHG emissions

Canada's territorial GHG emissions account for 2% of the global total, with most stemming from its transportation and energy sectors, including the oil sands industry. Per capita, it has the second-highest emissions intensity among the G7 countries, at about 20 tonnes per person.⁴⁰ It is a major global producer and net exporter of energy and extracted fossil fuel resources. Alberta and Saskatchewan have per capita emissions at around 70 tonnes each⁴¹, underscoring that the fossil fuel dependence is key to understanding Canada's emissions.

example, he savaged Prime Minister Harper's job figures, asserting the \$US5.3 billion project would only create 2 000 temporary jobs and 50-100 permanent ones. In February 2015, as another example, President Obama used his presidential veto—for only the third time since his election in 2008—to quash a bill generated by the Republican-led Congress authorising construction of the KXL. John Boehner, a senior Republican, called President Obama's move 'a national embarrassment', and accused him of being 'too close to environmental extremists'.

President Obama was indeed concerned about the environmental risks associated with the pipeline's construction. In particular, he was concerned about the potential for the pipeline to leak and contaminate a huge aquifer in Nebraska. President Obama's prudence seemed justified given previous calamities. For instance, in July 2010, more than 1 million gallons of Canadian bitumen derived-crude gushed for 17 hours from a ruptured pipeline into the Kalamazoo River in Michigan—contaminating the river system for nearly 40 miles. It took two years to clean up and more than \$US1.2 billion.⁴²

The emissions intensity of extracting the bituminous crude from the sand was another significant concern for President Obama. Action on climate change was a key legacy issue for the President. Domestically, he had issued an executive order establishing the 2014 Clean Power Plan to be administered by the Environmental Protection Authority. Internationally, he had played a leading role in establishing the 2015 Paris Agreement.

A barrel of crude from Alberta's oil sands produces about 2-3 times more CO₂ emissions than that of conventionally pumped crude.⁴³ This did not bode well for President Obama.

Prime Minister Trudeau's oil diplomacy and approach to fossil fuel affairs

Similarly to Prime Minister Harper, Prime Minister Trudeau, who won office in October 2015, was a long-term supporter for the KXL expansion (explained in more detail below). Prime Minister Trudeau saw the proposal as providing economic benefits to both countries. For example, in 2013, while visiting the US Capitol for the first time as Liberal Party leader he told reporters 'there are lots of American jobs involved... perhaps it's not as bad as it's been caricatured'.

Prime Minister Trudeau and his cabinet were sworn in on 4 November 2015. Two days later, President Obama announced 'the State Department has found that it [KXL] would not serve the interests of the United States... [and] I agree with that decision'. President Obama explicitly rejected the tripartite economic rationale behind the proposal: job creation, lower petrol prices, and heightened energy security. Prime Minister Trudeau said he was 'disappointed' with President Obama's decision. TransCanada, the company who would be responsible for the pipeline's construction, said the decision was bad for jobs and the economy in both countries. Environmentalists rejoiced.

But the KXL wasn't dead yet. On 24 January 2017, the newly elected US President, Donald Trump, signed an executive order to revive the KXL project:

With regard to the construction of the Keystone pipeline, something that has been in dispute... we're going to renegotiate some of the terms and if they'd like, we'll see if we can get that pipeline built. A lot of jobs. 28 000 jobs. Great construction jobs.⁴⁴

Prime Minister Trudeau swiftly welcomed President Trump's decision, later that day explaining to reporters:

I reiterated my support for the project. I've been on the record for many years supporting [Keystone XL] because it leads to economic growth and good jobs for Albertans.⁴⁵

On 13 February 2017, Prime Minister Trudeau met with President Trump in Washington DC. Both leaders vowed to tighten their ties on energy and singled out the Keystone XL pipeline as an important infrastructure project. Climate change was not mentioned.⁴⁶

As we can see, there is a significant tension between the Trudeau government's desire to regain Canada's position in international climate negotiations and its desire to improve global market access for Albertan bitumen products. President Trump's election makes this tension more acute, re-opening opportunities for oil pipelines, notably Keystone XL, that would enhance market access for Albertan oil, but make it harder to sustain the idea that Canada is seriously engaged in the transition away from fossil fuels.⁴⁷

Similarly to the nation-wide carbon price, as one could expect, federal-provincial negotiations and politics are hard fought in the oil sector. We explore this next.

Federal-provincial oil politics

Fort McMurray, located in north eastern Alberta, is ground zero for Canada's oil industry. The largest field, the Athabasca oil sands, surrounds the town, covering an area of approximately 141 000 square kilometres, roughly the size of Bangladesh/an area larger than Greece.

Two major pipelines carry crude oil from the area: the TransMountain pipeline, which runs south-west to delivery terminals near Vancouver, British Columbia, where it is exported to Asian markets as well as the US. And the Keystone pipeline which runs west through Saskatchewan and Manitoba before turning south into the US state of North Dakota, eventually terminating in Texas.

In an effort to boost Canada's crude oil exports, several new pipelines have been proposed (see Map 1):

- The Keystone XL pipeline extension, which would run 1900 km from Hardisty, Alberta to Steele City, Nebraska where it would connect with the existing Keystone pipeline running through to Houston, Texas where refineries would prepare the now mixed Canadian and American crude for export to Latin America and Europe. The extension was expected to increase the flow of Canadian crude oil to the US

Box 4: The Paris Agreement's decarbonisation goal and oil sands

The Paris Agreement includes a global net zero emissions goal (decarbonisation) post 2050. Domestic oil politics now presents challenges to Canada moving toward this future goal. For example:

First, building oil pipelines now locks in the politics over the longer term. That is, the oil industry will fight tooth and nail to keep the pipelines open and pumping oil over as many decades as they can.

Second, the global decarbonisation path means that Alberta will not be selling oil by say 2050, and thus pipeline investments now that assume amortisation over several decades are simply poor investments (a fair number of oil sands companies have already come to this conclusion and pulled out).

by 830 000 from 550 000 barrels per day (carried in the existing Keystone pipeline), bringing the capacity of the Keystone network up to 1 380 000 barrels per day.

- The Energy East pipeline, which would run 4600km east (using 3000km of existing gas pipeline) to a terminal in St John, New Brunswick, on the Atlantic coast. In January 2017, Canada's National Energy Board (NEB) announced plans to re-examine the merits of this pipeline, which would potentially carry 1.1 million barrels of Albertan crude per day.
- The Northern Gateway pipeline, which would comprise twin pipes extending west over the Rockies to Kitimat, British Columbia on the Pacific coast. And the TransMountain pipeline, which would roughly parallel the existing pipeline running from the oil sands to a port near Vancouver. In November 2016, Prime Minister Trudeau approved the proposal to build the second TransMountain pipeline, the TransMountain Expansion project. The \$C6.8 billion project is expected to create more than 15 000 jobs—mostly temporary, and construction related—and almost triple capacity from 300 000 barrels per day to 890 000 barrels, requiring a seven-fold increase in tankers running through Vancouver harbour. But, in the same announcement, he also rejected the

Northern Gateway pipeline proposal on environmental grounds.

The Liberal Party won four seats out of the 34 seats in Alberta in the federal election, up from zero. This matches the Party's best showing in the province since his father, Prime Minister Pierre Trudeau, seriously damaged the Party's reputation in Alberta, and angered the province's oil barons, by imposing extra taxes and royalties along with price controls on the industry in the 1970s. The Liberals do not want to alienate the province again.

The Prime Minister got a taste of what alienation might look like on 13 January 2017, when in a rare deviation from message, he suggested at a town hall meeting in Peterborough, Ontario, that resources would not be extracted from the oil sands indefinitely: 'We can't shut down the oil sands tomorrow. We need to phase them out. We need to manage the transition off of our dependence on fossil fuels'.

Alberta's major political parties responded furiously:

Premier, Rachel Notley: 'Alberta's oil and gas industry and the people who work in it are the best in the world. And we're not going anywhere, anytime soon'.

Opposition Leader, Brian Jean: 'If Mr Trudeau wants to shut down Alberta's oil sands, and my hometown, let him be warned: he'll have to go through me and four million Albertans first'.

Conservative (interim) Leader, Ric McIver: 'Trudeau threw Alberta under the bus today... [the oil sands create] thousands of mortgage paying jobs for Canadians across the country'.

Liberal Leader, David Swann: 'We need our prime minister to not only support this industry, the economic engine of the country, but to communicate that clearly'.

In an effort to qualify his comments, on 24 January 2017, soon after President Trump had issued his executive order on the KXL, Prime Minister Trudeau gave a news conference in the Albertan capital, Calgary, in which he said that he had 'misspoke' about phasing out oil sands, affirming 'how important Albertans are and Alberta is as a driver of the Canadian economy'. However, he also said that Canada will 'need to move off our dependency on

Box 5: Federal-provincial politics (resources)

Canada is a particularly decentralised federal state where (a) natural resources are defined in the constitution as belonging to provinces not the federal government, and (b) it has become significantly more decentralised in the last 30 years because of the impact both of two referendums in Quebec on sovereignty/separation, and of the rise of the West and the reaction by Alberta in particular to the National Energy Programme of Trudeau senior in 1980.

fossil fuels... that that's the trend line that our country and our planet needs to be on'; the suggested timeframe for this phase out—'100 years'.⁴⁸

Alberta itself presents an interesting microcosm of Prime Minister Trudeau's climate action-oil export dilemma. In 2015, the province elected the New Democratic Party (NDP)—a social democratic party—ending four decades of Conservative government in the province. The NDP leader and Premier, Rachael Notley, is doing all sorts of ambitious work on climate change including:

- Placing a 100 Mt/yr cap on upstream emissions associated with each barrel of oil produced from the oil sands. At current growth rates, oil producers will reach that limit by the mid-2020s. Analysts say that if this policy remains in place, it represents a very significant limit on annual emissions from the oil sands (if the oil sands industry wishes to continue to grow it will need to find ways of radically improving the carbon efficiency of oil production)
- Investing substantial amounts of money into re-training oil sands workers to become solar or wind engineers
- Borrowing the coal phase-out policy from Ontario (among other things).

Much of this is however accompanied by extremely aggressive lobbying for oil pipelines (the internal politics of the NDP federally is extremely tense on this question at the moment, since most NDP members outside Alberta are very hostile towards pipelines and fossil fuel infrastructure expansion).

Opportunities to help achieve a stronger and fairer Paris Agreement target

Prime Minister Trudeau has said that he wants Canada to play a leadership role on climate change internationally. As mentioned, a target of 51-69% below 2005 levels by 2030 would place Canada at the forefront of G20 climate ambition, and as a leader for the ratcheting-up process of the Paris Agreement.⁴⁹ Given the domestic political constraints (eg. federal-provincial politics; oil-sands politics), what opportunities exist that may help Canada meet and exceed its Paris Agreement target?

The energy sector

To accelerate the low-carbon energy transition (between 2020-2030), the position paper released in 2017, *Re-Energising Canada: Pathways to a Low-Carbon Future*⁵⁰, recommends integrating policy into a broader 'low-carbon development strategy' that would:

- Continuously strengthen policy frameworks (including carbon pricing, regulatory and other measures) to stimulate ambitious climate action
- Focus on international markets for Canadian low-carbon technologies and services (eg. finance, insurance and asset management maintenance)
- Support transitions in technology and jobs from high- to low-carbon energy sources, leveraging existing technical and institutional strengths by retooling manufacturing processes
- Explore new resource combinations where Canada has natural advantages, including agro-fuels and -chemicals, the bio-economy and forest-based building materials and technologies
- Stimulate innovation in technology development, practices and management. The transition can begin with existing technologies but innovations will be essential to complete it
- Develop regional decarbonisation strategies that employ the particular resources, industrial and financial assets and skillsets of each region to stimulate place-based, low-carbon development. Here,

leadership rests with Indigenous peoples, provinces, territories and municipalities, with the federal government providing support

- Create retraining programs to help meet employment needs of oil and gas workers and labour needs of the renewable energy industry. We propose that information and education must also target the industry itself to allow companies to envision future options linked to shifting their production towards low-carbon energy.

The transportation sector

While there are many policy initiatives that the federal government and the provinces can adopt to assist Canada move towards an international climate leadership position, these policies must be couched within a well-articulated vision for the future and detailed analysis and plan of the governance issues and blockages that must be addressed and overcome. The transportation section provides a good example where vision and governance come together.

Strategic planning (including data accumulation and detailed analysis) is required to enable Canada's provincial private and public/shared transport fleet to transition from liquid fuels to electric and/or fuel cell sources of energy. This planning could involve:

- The creation of an electric charging network in public places in cities and on highways, and at the workplace—for example, requiring employers to provide them
- Thinking about ways to integrate this new charging network with a renewable electricity shift, since it entails a significant increase in electricity supply overall
- Developing a regulatory plan requiring manufacturers to sell an increased number of zero-emission vehicles; ideally with a specific date for the complete phase out of internal combustion engines.

Although all the provinces could and should take these actions, some federal coordination would help fast-track this transition.

Norway, also a major oil producer with many similar

features and dilemmas in climate policy, is currently transitioning its transportation sector and may offer some useful policy learnings (what works and what doesn't) for Canada.

The federal government

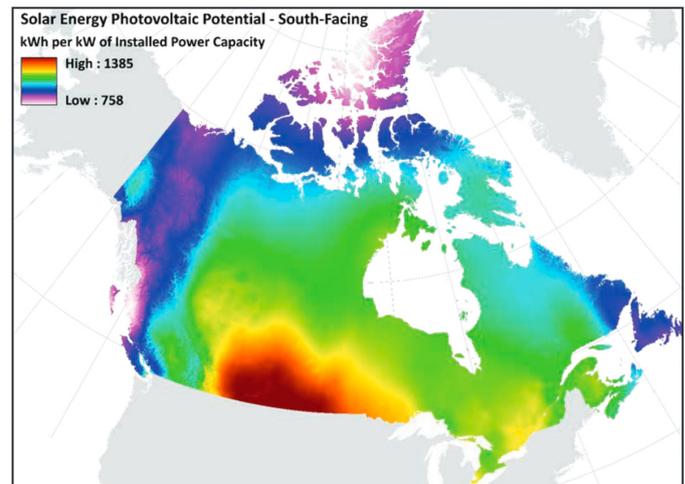
- The federal government could firmly indicate whether the price on carbon pollution would increase after 2022. A price on carbon works best if it provides a long-term price signal to guide investments spanning many years or decades. In other words, the present absence of a firm indication introduces long-term planning uncertainty that can constrain investment in emissions reductions initiatives.
- It could consider cutting subsidies to the fossil fuel industry. There has been some good analysis undertaken on this, including a joint initiative by the International Institute for Sustainable Development and Global Subsidies Initiative.⁵¹ Reducing subsidies can have a considerable impact on emissions, while the money saved can be redirected towards helping with the transition (eg. jobs and retraining programs, and incentivise to low pollution technology start-up and expansion).

Provincial climate action

The level of GHG mitigation ambition in the provinces will have a significant bearing on whether Canada can exceed its Paris target. Provincial governments' have individual policy levers at their disposal including:

- Alberta as of 1 January 2017, has levied a tax of \$C30 per tonne on large emitters, and \$C20 per tonne for all Albertans, rising to \$C30 per tonne as of 1 January 2018. While this is a positive step it could be improved, for example, beyond 2018 increases will be inflation plus 2%, which may prove too low to have a measurable impact. In addition, Alberta could extend the phase-out of coal-fired electricity by way of establishing a plan to phase-out natural gas in the electricity supply in the medium-term. Such a plan would require an extension of existing support for wind and solar energy, as well as investments in grid management (eg. smart grid

Map 2: Solar Energy Photovoltaic Potential



Source: *Re-Energising Canada: pathways to a Low-Carbon Future*

- technologies). Alberta has significant underdeveloped solar resources as well (see Map 2).
- British Columbia could reduce indirect subsidies for LNG. The British Columbia government recently announced plans to provide cheap electricity rates (indirect subsidies) in an effort to incentivise construction of the \$C1.6 billion project Woodfibre LNG project in the Lower Mainland, the first of roughly 20 LNG proposals in British Columbia. Given the exponential rise of renewable energy globally, LNG plants like coal-fired plants may end up as very expensive stranded assets in the near term.
- Quebec has implemented a cap-and-trade system and a climate action plan to reduce its emissions by 20% below 1990 levels by 2020. The system is linked to California's and Ontario's system. While this is positive, Quebec could establish a carbon budget for the province, as well as 'climate tests' on new infrastructure projects like mass transit, and/or establish a carbon tax. There are also opportunities to convert some existing hydro capacity to pumped storage, as well as exporting hydro to Ontario.
- Manitoba should be included in the national climate scheme as soon as possible. The federal government should work vigorously with the province to resolve differences in the health funding formula that Manitoba is currently using to delay signing onto the national climate plan. Furthermore, Manitoba has

massive hydroelectric generation and storage capacity that could be used more effectively to support intermittent renewable power installations elsewhere in Canada, particularly in Saskatchewan.

- Saskatchewan has significant underdeveloped wind and solar power. Harnessing these resources could prove to be a bonanza for the province (see Map 2).

At present, each province controls its own electricity grid. The federal government could consider developing East-West electricity grid integration as a longer-term goal. For instance, British Columbia has considerable hydro power resources, whereas Alberta's electricity is predominantly coal-fired. Linking these grids to, for example, a solar and wind driven Saskatchewan, would provide extra power in peak usage time as well as backup power when the sun isn't shining and wind isn't blowing.

As another example, hydro power from British Columbia, Manitoba and Quebec is sent south into the US to satisfy their peak usage periods—'supper-time electricity'. This power could be shared horizontally in Canada rather than vertically into the US. Integrated grid linkage should be a high priority for the Trudeau government. *Pacific Institute for Climate Solutions* has undertaken an extensive investigation into how such an initiative would work.⁵²

Conclusion

This briefing paper concludes that the combination of domestic enabling factors—Prime Minister Trudeau's confident yet unpretentious style of internationalism, a national price on carbon, and provincial climate action—presents a window of opportunity for the Prime Minister to announce, and achieve, a stronger, fairer, Paris Agreement target of between 51-69% below 2005 levels by 2030, which would position Canada as a leader for the ratcheting-up process of the Paris Agreement. This combination of enabling factors was not in operation under the previous government.

But there remain considerable obstacles, particularly relating to federal-provincial relations and fossil fuel dependency.

The policy opportunities identified in part three—which are only meant to act as a sample of a much broader and profound policy suite on offer—would need to be enacted gradually and deeply to alleviate the need for revenues from oil sands production. Nonetheless, planning for alternative forms of revenue will increase the likelihood that Canada's low pollution transition, guided by the upcoming Facilitative Dialogue process and the Paris Agreement's economy-wide decarbonisation goal post 2050, is safe and just, for its communities, regions and businesses.

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