

Notes for an address

by

the Honourable David Anderson, P.C., M.P.
Minister of the Environment

to the Empire Club of Canada

Toronto
November 15th, 2002

CHECK AGAINST DELIVERY

Good afternoon, ladies and gentlemen. And thank you Ann [Curran] for that kind introduction.

I take great pleasure in speaking to the Empire Club of Canada today and before anything else, let me salute you as you get ready to start your centennial celebrations. Over the past century, this has become probably Canada's pre-eminent setting for talks on the major issues of our day. You certainly have developed a reputation for events that bring together both intelligent, interested audiences and the people who have something important to say.

So, I am proud to be on your agenda this afternoon. And I am especially proud to be here to talk about climate change and more importantly, what Canada can and will do to help turn the tide of rising global temperatures.

Over the past few months, I am sure that you have heard a lot about the climate change issue. It has become a focal point of attention in Canada, which is only good for an issue as fundamental as this one is.

But I think a lot of hot air has been generated over that time, too. So much so, I think we could meet our international targets just by bringing the temperature of the debate down a few degrees.

Today, I'm going to do my part. And I'm going to do that by focusing my remarks on two points that everyone here already knows.

The first point can be captured in one quote.

"For many Canadians, events of the summer and fall have made the threat of global warming seem very real. From the drought in the west to heat waves in Ontario, Canadians have had concerns about climate change. They want their governments to do something to be part of the solution."

The second point can be captured in another quote.

"Canadians have the know-how and the resolve to tackle this problem."

I agree with both statements. And I imagine that those of you who were here for Premier Ralph Klein's speech to this same audience three weeks ago also agree – because he's who I just quoted.

That tells me that we are closer to common ground on climate change than some of the breathless headlines about the end of our economy and the end of our country would have you believe. It tells me, just as my conversations with provincial ministers, non-governmental organizations and leaders from our private sector do, that we can build a plan that works for Canada – and we can get results that matter from all Canadians.

Today I want to work from the common ground that exists to clarify why Canada is moving forward on a made-in-Canada plan within a United Nations framework, the Kyoto Protocol – and equally importantly, why our government is confident in the ability of Canadians and Canadian businesses to find and use innovative solutions to the global challenge of climate change.

It's not surprising that Canadians should take the climate change issue seriously. The international effort to address climate change began in earnest here in Toronto, back in 1988.

I am sure that this very hotel welcomed some of the 300 policy makers, scientists, and leaders from business and environmental groups at the Toronto Conference. This city welcomed delegates from 46 countries to look at the issues and the options.

The work that started here in Toronto led to a 1992 international decision to stabilize greenhouse gas emissions to 1990 levels by the year 2000, on a voluntary basis.

In fact, my party's environment critic at the time thought that was too timid. He said, "We can begin by pressing for an international convention to reduce CO2 emissions by at least 20 percent. We should set an example by exceeding that target at home."

Our environment critic was Paul Martin. He recognized the value of real actions, in real timeframes, to get real results.

Perhaps he knew that the voluntary approach wouldn't produce results. For it did not.

The international community saw the lack of results. Countries agreed that we needed to set targets to guide our actions. So in 1997, delegates met in Kyoto and the industrialized countries each identified the target they believed they could meet. They agreed on the 2008-2012 timeframe to reach or beat those targets.

That was the first stage. After that, we spent most of the following four years addressing complex accounting issues. That has involved compromises necessary to deal with the real world of diverse interests. That is how the United Nations works. But what shines through is that by setting targets and timeframes – we are taking the first step to get the world on the right path to a reasonable target.

As those of you in business know, getting results starts with setting a target that has meaning. And that was the focus of the UN approach – a target with a clear timeframe, a target with meaning.

And yes, a target that we can achieve.

The international community didn't swing for a home run. There was no suggestion that one decision, one time would be enough. They built something that would be a first step. But a critical first step.

~~A first step that means developed countries, including Canada, get their own houses in order. A first step that really unleashes the power of innovation and new ideas. And a first step designed to get all countries to follow the trail we have blazed.~~

Now, there are people who will tell you that Kyoto is not about clean air and healthier cities. What they fail to realize is that wind and solar power don't produce smog; that with every reduction of fossil fuels, there is a reduction of NOx and SO₂, the precursors of smog; and that hotter weather will also mean increased air pollution and 'bad air' days. So our first step will also be a step that improves the health of Canadians.

Let me turn now to the plan that we are building in Canada.

Remember, the UN approach to climate change incorporates targets and timeframes – the rest is up to us. Let me repeat, there is no international plan that tells Canada how to do it. We are talking about a Canada plan for Canada - made by us, for us. Just as there is a Finnish plan for Finland or Japanese plan for Japan.

And the plan for Canada is aimed to keep costs down while maximizing the opportunity for Canadian technology.

The plan for Canada reflects the 1997 decision of the agreement between provincial and territorial leaders and Prime Minister Chrétien that no region or sector will have to bear an unfair burden.

As part of that commitment, the process to define Canada's plan has involved work with the provinces and territories and stakeholders from the very beginning. Yet to hear some of the claims and scare stories, you would never know it. To hear those stories, you would never know that we have taken every step possible to address concerns about jobs and economic impacts.

You would never know that I, along with the Minister of Natural Resources, have met with our provincial and territorial colleagues at least twice a year. I have met with most of them individually many other times over the last 19 months. I offered to meet with all of them monthly if it would help, as we worked out the issues and the opportunities but surprise, surprise, they opted not to do this.

This has been more than just consultation on what to do. We have taken the consultative approach to a very analytical level.

A key to our planning has been the development of detailed economic models to tell us the potential economic impacts of different approaches to meeting our international targets. This has not been some process in Ottawa's back rooms. It has been collaborative effort involving economists from the federal government and the provinces. Economists from the industries most concerned about the potential impacts of climate change – the oil industry, the chemical producers, manufacturers and so on

have been part of this process. We have drawn on the input and guidance of independent economic analysis firms, as well.

Every time there has been new information, the economists have refined the models accordingly. For example, when Canada negotiated credit for the impact that well-managed forests and agricultural lands have on greenhouse gas emissions last year, the economists put that information into the mix.

Most recently, our government used these models to assess the impact of our plan. The basis was a \$10 a tonne price for carbon – incidentally the World Bank's carbon fund price is presently about \$3.50 US per tonne.

So what does this analysis tell us? Let's start with jobs. The most recent economic modeling leads us to see 1.26 million jobs created by 2010 with ratification, compared to just over 1.32 million new jobs in a business as usual scenario.

That's a difference of 60,000 jobs over eight years. Right now our economy is creating 45,000 new jobs a month. That means the effect of doing our part to meet international commitments translates into a 5-week delay in the total job growth over an 8-year period.

Having said that, I need to point out that these models are not good at taking into account all the jobs that would be created to meet our climate change target because of the traditional assumptions they use. They don't fully capture the employment of new technologies and new markets being created for our environmental industries sector, which already employs about 160,000 Canadians.

And the story doesn't end there. The most recent modeling shows a net increase of 6,200 jobs in Ontario's manufacturing sector over the next 8 to 10 years above and beyond normal job creation.

It will be thanks to the demand for more efficient machinery and the more advanced transportation equipment, especially vehicles that Ontarians make. It will be thanks to demand for the steel in those products. It will be thanks to us accelerating trends that are already in our economy.

And it will be thanks to a Canadian-made plan that finds Canadian-made opportunities.

Will costs rise in a world where the carbon we release into the atmosphere has a price? The modeling projects cost minimal increases for natural gas and gasoline prices well within normal market volatility. The base scenario we have put to industry to reduce emissions by 55 MT by 2010 says the direct cost of a barrel of conventional barrel of oil would increase by about 3 cents, and for synthetic crude would be 13 cent. The price of that barrel now is about \$26 these days. And let me remind you that there are approximately 200 litres to a barrel.

Steel would go up by about three-tenths of one percent.

The highest cost increases projected are for lime and cement production. Cement is projected increase by 1 percent - one dollar on a tonne of cement. Lime by 2.5 percent - one dollar and eighty-five cents a tonne.

So, if the most likely job impacts and cost impacts are not only much less than the horror stories that groups are claiming, but in fact are surprisingly modest, what about the economic havoc that those same groups are predicted for industry?

Let me say flat out - the federal approach to climate change is pro-growth and pro-exports.

Take oil sands. Our plan expects more - not less - oil sands production than we have today. Three times more.

Our plan expects more - not less - East Coast oil and gas production. Four times more oil production and a 50 percent increase in gas.

Our plan expects more - not less - electricity production. Nineteen percent more in New Brunswick and 32 percent more in Alberta, for example.

Sounds pro-growth to me.

But will some sectors face costs in meeting their emissions reduction targets? Yes, and we have been consistently developing ways to help those sectors offset and control those costs.

It has been part of our approach every step of the way.

Two years ago, our government initiated Action Plan 2000. It included a mix of actions, building on other initiatives we have been implementing that has us on target to achieve a third of our target.

The plan presented to the Energy and Environment Ministers of the provinces and territories last month identifies actions that would bring us up to three-quarters of our target. Many of them will help reduce the demand for the fuels that generate greenhouse gas emissions and others will ensure that we get the most efficient use of those fuels.

For example, we identified improvements we can make in transportation. We can bring about improved fuel efficiency, more use of alternate fuels, more efficient freight movement and increased use of urban transit.

We know there is a lot we can do to improve the energy efficiency of our homes, commercial buildings and the equipment and appliances inside them.

It is clear that large industrial emitters will need to be even more part of the solution than they have already become. And this will be where the use of market-based tools such as emissions trading will help to reduce costs and manage the risks of change and innovation.

We are working with industry to try to refine the plan and these discussions will continue.

We see a great potential in renewable energy and related innovations, including clean coal technology and process that will capture and store CO₂, rather than shooting it up into our atmosphere.

All this consultation helped to shape the draft plan that we have just released and, based on further discussions with the provinces, territories and other stakeholders will be released in final later in November. But let me put "final" in context.

I am a yachtsman. I know that in a race you keep your eye on the finish line but you also watch the currents. You watch the winds. You trim your sails and you adjust your helm.

The same is true here. We intend to improve our plan as time goes on. We will work in new ideas and opportunities. We will stop what doesn't get the results expected. We will do more of what best gets results.

And remember, such plan must take into account the environment in which it is meant to operate. That means it will be affected by growth rates, and interest rates, by unemployment levels, and trade pattern shifts.

I need to be clear about one aspect of Canada's climate change plan.

We are not bringing this down to some incredibly detailed spreadsheet that gives every person, every community and every business a detailed piece of our target. We have not attempted to identify where every last tonne of emissions reductions will come from.

And there is – in addition to what I just mentioned a few moments ago - a very simple reason for this – the unpredictable but fundamental power of innovation.

Over the past three decades we have dealt with many environmental challenges. Time and again, we have learned that if you set clear targets and then give business the flexibility to find the most efficient solutions, people in business can and do generate results well beyond their own expectations.

Let me offer an example of how outcomes and attitudes have changed.

In 1973, the head of Ford said that if his company and his industry were forced to install catalytic converters to reduce air pollution, and I'm quoting here, *"it will cause Ford to shut down and would result in: 1) reduction of gross national product by \$17 billion; 2) increased unemployment of 800,000; and 3) decreased tax receipts of \$5 billion at all levels of government so that some local governments would become insolvent."*

Some years later, a leading figure in American industrial life looked back and said, *"We are continuously faced by great opportunities brilliantly disguised as insoluble problems."*

Lee Iacocca made both statements. And by the time he made the second one, he knew that the sky did not fall after the introduction of the catalytic converter. It was a lot cleaner though.

The acid rain debate of the 1970s and the 1980s is another case in point. For years, industries that were sources of sulphur dioxide fought hard against emission restrictions. We were told that the price of cutting acid rain would be incredibly high. We were told about job losses and industrial decline. We heard that there was no science to back up the call for action.

Canadians knew better. They told governments the benefits of healthy lakes, streams and forests were worth the costs of cleaning up smokestacks and other sources. And in the end, the costs were a fraction of the claims we heard.

Over the last few years, I've talked to industry leaders from around the world and heard similar things from the Presidents and CEOs of companies like Shell, British Petroleum, Dupont, and the list goes on and on.

In fact a while ago, Sir Mark Moody-Stuart, the former Chairman of the Royal Dutch/Shell Group of companies and I were discussing climate change issues in Canada. He said, "You're doing this backwards in Canada. Business shouldn't be wasting its time on the ratification issue. It should be focusing on what happens after that – how to get the job done."

He and many other business leaders know that environmental goals present opportunities to improve the bottom line. They present opportunities for innovation, more efficiency and more productivity.

From years of experience I believe in the capacity for innovation in Canadian industry. I have seen that innovation at work in my travels across this country. I firmly and fundamentally believe that addressing climate change is an investment in the future. That it has the potential to make our economy stronger, more modern.

Let me come back to Shell.

In 2001, Shell Canada reported consolidated earnings of \$1 billion on assets of some \$7.5 billion and a 21.5 per cent return on average capital employed. The company employs about 3,600 people at its head office in Calgary and operating locations across the country. Shell Canada has had targets in place since 1995 that include meeting 1990 levels of GHG gasses by 2000 and reducing these emissions by 6% by 2008. The 2000 target has been achieved.

Canada needs more of this. And, as we address climate change, we will see it.

We will also see it because of changing market demands. The reality is that an economy like Canada's has the most to gain if we position ourselves early in greener markets. We have the most to lose if we drag our feet in adapting to the emerging climate-friendly markets.

We see enormous export opportunities. Even with the Bush administration's decisions not to follow through on the American commitment to multilateral action on climate change, state governments are going ahead with their own impressive list of actions.

For example, the State of California now has a law that mandates the California Air Resources Board (CARB) to develop and adopt regulations to take effect in 2006 *"that achieve the maximum feasible and cost-effective reduction of greenhouse gas emissions from motor vehicles"*.

So the record of results is there, the need for action is there and the opportunities are there, too. Like Premier Klein, we believe that Canadians have the know-how and the resolve to tackle this problem. We just happen to have more confidence in Canada. Because we believe that Canadians can do it sooner and better.

Not everyone shares the belief of our government that Canada should aim for results on climate change. I don't watch much television but even I've seen the full scale ad campaign that some business interests are running in a last-ditch effort to stop ratification of the Kyoto Protocol. I've seen some of the comments of some people in the business community.

I want to comment briefly on three topics. First, the science. Second, the waste of money on lobbying. Third the price of inaction to our financial community.

First, the science.

Our policies on climate change are based on the strong consensus among the clear majority of climate scientists – people who have spent their careers in this discipline. And their consensus view is that the peer-reviewed science is only getting more and more convincing.

Yes, there are some scientists who disagree. There always are. That is the way science works. But theirs is outlier science. They are at the margins on this issue.

Their arguments have failed to find support among their peers. Are they wrong? Only time will tell. ~~But probability analysis suggests that the consensus view has about nine out of ten chance of being right and the minority position no more than a one in ten chance of being right.~~ Is it really appropriate to base public policy on the one in ten chance?

Incidentally, this goes beyond the climate change issue.

Frankly, I have taken a lot of heat because our government is committed to using the best science possible to make decisions. I have taken a lot of heat from environmentalists because I do not accept the outlier science on genetically-modified organisms or pharmaceuticals. I have taken a lot of heat from some community groups because we listen to the credible peer-review science that comes from the private sector, as well as our own labs and those in universities.

I think the business community in Canada should think long and hard before it demands that we design policy based solely on the idea that a minority view should be accepted over the consensus view of the experts who are subjected to peer review. You may be going for a ride that you will not enjoy in the long run.

Second, the lobbying.

Some business interests are spending money on lobbying us directly and on trying to influence indirectly by scaring Canadians. But the current ad campaign is misleading and counter-productive. Public opinion, except for small-town and rural Alberta, has been overwhelmingly pro-ratification and the figures have not been weakening.

I don't quarrel with lobbying or advertising. In fact, a good lobbyist is a good friend to a Minister and the client alike. A good lobbyist will tell you the reality on an issue. And good lobbyists don't mislead, because they know that if they do, their clients will never get to put their case to the Minister again. And the reality is that our government is committed to putting ratification before Parliament. We are committed to action.

The Prime Minister has been crystal clear on his desire to ratify. I have been crystal clear on this.

So while the latest advertising is creating a lot of confusion and noise, the campaign is not getting anywhere. These business interests are wasting money and getting badly served from people who know better.

For them, of course, this is one of those opportunities to demonstrate how hard they are working on behalf of business, and why you need to keep up your membership in their organizations. But while it is serving their interest, it is not serving yours.

You would be far better off to follow the lead of labour on this one. I have started to work with the Communications, Energy and Paperworkers Union of Canada to explore

the potential impacts of climate change actions on employment. We have agreed that we will work together to develop responses.

Just as Sir Mark Moody-Stuart pointed out, organized labour is getting past the rhetoric to get on with finding solutions.

If lobbyists were serving you well, they'd be telling you to do the same and save the ad money business is spending.

My third short point is on the other business impacts of climate change.

We keep hearing the drumbeat that measures to combat climate change will be bad for Canadian businesses. Full stop. The leaders of major business organizations that should be representing all their members have decided to ignore the perspectives and interests of many of those members on climate change.

For example, what about our financial sector – and more specifically our insurance industry?

We know that scientists predict more severe weather events if climate change continues to accelerate. We know that insurance payouts because of severe weather events have already skyrocketed in recent years. We know that more hailstorms or more tornadoes would cost insurers. We know that the global scale would affect the reinsurance industry around the world.

As Frank Nutter, President of the Reinsurance Association of America said in 1996, "Climate change could bankrupt the industry".

Right now, scientists who know the evidence are telling us that we need to take action. They are telling us that we are headed in a dangerous direction and that half-measures won't do.

They're saying that we're headed for a cliff.

So let me ask you, what makes more sense? Do we turn around? Or do we resign ourselves to enjoying the view over the edge by doing less and taking much longer to do even that?

Because given what the science tells us, those are our choices.

Canadian values tell us the answer. We are not resigned to a worse world for our children and grandchildren. We want a better one. We are not resigned to shrinking icecaps and rising sea levels around the globe. We want stability.

We are not going to be trapped by a false division that claims what makes sense for our environment will harm us in the big picture economically.

~~Our government shares the view of our partners in many countries that people have the~~
ingenuity and the commitment to find effective ways to turn things around. We can take
action that unleashes new ideas and new processes.

We can get results and we can meet reasonable timeframes to get them.

Our government is prepared to build on the work we already do with partners across
Canada to make the necessary transitions happen. We are prepared to help build a
future with cleaner air and healthier cities. We are ready to foster an even more
innovative environmental industries sector that sells products and services around the
world.

Quite simply, I don't accept the pessimists' view. Canada can succeed in our pursuit of
our international commitments - and we will.

We will move forward with an essential step. We will continue the work that began here
in Toronto in 1988. We will innovate on an important environmental issue, just as
jurisdictions from Germany to California to Japan are doing.

The question is "are Ontarians ready to bring Californian commitment to this, German
efficiency and Japanese innovation to this?" I think so.

Thank you.