

CAP AND TRADE DESIGN PRINCIPLES *for Canada*



About Us

The United Steelworkers is an international union with a highly diverse membership in many sectors of the Canadian economy. Environmental Defence is an environmental organization dedicated to protecting the environment and human health. The United Steelworkers and Environmental Defence have created Blue Green Canada to enable us to work together as advocates for working people and for the environment. Our alliance is based on the realization that a future sustainable economy must provide good jobs and protect the environment, and not one or the other. The alternative – an unregulated global economy that increases the gap between rich and poor and ignores ecological limits – will ultimately destroy all good jobs and the environment.

A Principled Approach *to Addressing Climate Is Needed.*

Canada is developing legislation to control carbon emissions and address international obligations to reduce our contribution to climate change. These efforts must both address climate change and encourage our transition to a sustainable economy. We recommend designing a program to be in place before the end of 2010, based on the following six principles:

1. A cap on emissions should be imposed based on what science says is needed to protect our environment;
2. The cap should cover as many emitting activities as possible, and close any loopholes;
3. The system should promote the creation and retention of good green Canadian jobs;
4. The system should reduce global emissions rather than shift carbon-emitting industries to countries with weaker standards;
5. Canada has a unique responsibility to regulate pollution from the oil sands; and
6. The program should direct cap and trade revenues and allowances domestically to public benefit. Revenues should also be directed internationally to help support clean economic development in emerging economies.

Six Key Principles

1 *A cap on carbon emissions should be imposed based on what science says is needed to protect our environment.*

The scientific evidence that climate change is happening and leading to devastating consequences is well established and incontrovertible. The build up of greenhouse gases in our atmosphere threatens to destabilize the life support systems that have allowed humans to flourish. Carbon emission growth must stop and then drop rapidly. As a rich carbon emitting nation, Canada must show leadership by setting an example.

Scientists agree that we must cut emissions by at least 80 percent from 1990 levels by 2050. In order to meet this goal, Canada must set a binding 2020 target that enables us to meet the 2050 target; Canada's current 2020 goal does not do this. Efforts to stop emissions growth should start immediately, or meeting the targets will become progressively more difficult

2 *The cap should cover as many emitting activities as possible and close any loopholes*

The fairest and most effective way to reduce emissions and transition to a green economy is to have an economy-wide cap and trade system covering as many activities as possible. An absolute emissions limit or "cap" must be placed on all appropriate activities and complementary measures used in cases where caps are not effective, for example, to capture smaller emissions sources.

While some flexibility should be built into the system, care must be taken not to create loopholes that let polluters avoid emissions cuts. The use of "offsets," for example, must be limited and tightly regulated. Compliance in the form of payments into technology funds must not be allowed. Canada's proposed experiment with emission targets based on intensity of emissions instead of absolute reductions must not be implemented.

3 *The program should promote the creation and retention of good green Canadian jobs*

Job creation, especially in manufacturing and construction, must be an explicit goal of climate change legislation. A diverse economy is necessary to reducing poverty, insecurity, and inequity. Canada's program should support investment in wind turbines, solar technologies, a "smart" grid, energy efficiency projects, public transit, and building retrofits with local procurement requirements to revitalize manufacturing and construction starting today.

Six Key Principles (cont'd.)

4 *The system should reduce global emissions rather than shift carbon-emitting industries to countries with weaker standards*

Our climate change legislation must not cause carbon-intensive, trade-exposed industries to simply relocate from Canada to countries with weaker laws. Such a result would cost jobs without curbing global greenhouse gas emissions. Indeed, it could increase global emissions.

Among the mechanisms available to resolve this problem are allowance allocations to energy-intensive industries, border adjustment mechanisms that level the carbon playing field in energy-intensive industries that produce import-sensitive products, and globally measurable and enforceable, sectoral agreements within the framework of an international treaty.

5 *Canada has a unique responsibility to regulate emissions from the oil sands.*

Canada's oil sands development puts our country in a difficult position, since no other industrialized country faces a situation where it has such a large sector poised for rapid emissions growth. Oil sands will account for close to half (44 per cent) of the projected increase in total Canadian emissions between 2006 and 2020 in a "business-as-usual" scenario, and virtually all (95 per cent) of the projected increase in industrial emissions.

The oil sands emissions must not be allowed to expand at this rate or corner the market on allowances to achieve this. The impact on the rest of the economy could be devastating, effectively driving other carbon intensive industries out of business.

6 *The program should direct cap and trade revenues and allowances domestically to public benefit and internationally to help support clean economic development in emerging economies.*

Allowances should be auctioned and used for public benefit. Revenues and allowances should be invested in job creation, minimizing leakage due to international competition, upgrading technology in vital industries, revitalizing research and development, investing in clean energy, building public transit, and supporting equity programs that help transition workers and vulnerable communities.

Any effective domestic climate change legislation must also recognize Canada's opportunity and responsibility to help fund clean energy economic development in emerging economies. The transfer of clean energy and energy efficiency technologies and the preservation of the world's carbon sinks must happen in a way that effectively raises international standards of living, protects the rights of indigenous peoples, and provides decent work.