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The Paris Climate Conference – Implications for Canada

Executive Summary

"Together with our international partners, we agreed to strengthen the global response to limit global average temperature rise to well below 2 degrees Celsius as well as pursue efforts to limit the increase to 1.5 degrees." - *Prime Minister Justin Trudeau*

It is not easy to get 195 countries to agree on anything, let alone an agreement to limit the national output of greenhouse gas (GHG) emissions. But last weekend that is what happened in Paris. Delegates were ecstatic. They have a deal but, is the deal real?

Signatory countries have committed to having the agreement ratified by their respective governments. In most cases that's no problem. In Canada the Liberal government majority will work with the provinces over the next 90 days and approve a plan that, by 2030, would see Canada's carbon output at a level 30% less then where it was in 2005. By 2050 delegates aspire to a world with net zero emissions.

But promises have been made many times before only to find that signatories failed to meet their commitments. Canada has never made a serious attempt to follow through on Kyoto or successive agreements. Notably, the US is taking the position that the President can ratify the Paris agreement without having to go to the Senate for approval. However, Barack Obama will exit the White House a year from now and a new President and/or Senate could scuttle the deal. Other big emitters like India and China will ratify the deal but if they choose to not follow through on commitments there are no sanctions or enforcement mechanisms. However if developing countries cheat too much they risk losing access to a multi-billion dollar global fund designed to help to the switch to renewables.

With all of those caveats, this agreement still seem more likely to limit GHG emissions than any agreement we have seen thus far.

Canada

In anticipation of Paris the provinces all put forward their plans to meet the target of 30% below 2005 levels by 2030, a target set by the previous Conservative government. Alberta announced an aggressive carbon tax regime, a phase out of coal, a cap on oil sands emissions, and funds for transit and renewable energy. Ontario will institute a cap and trade program. Saskatchewan will move to renewables. British Columbia already has a carbon tax and Quebec pioneered cap and trade in Canada.

There is also talk of a continental agreement between Canada, the US and Mexico, however there will be the same questions about ratification.

What we don't know is where the federal government will land on limiting carbon. Environment Minister McKenna has said that the old Conservative target is a minimum, so if the government aspires to ensure Canada meets the standard of limiting the world's warming to a 1.5 degree target instead of 2 degrees, something will have to give. The specifics will be worked out over the next 90 days as the provinces negotiate their specific contributions to Canada's overall commitment to GHG reduction. However we can make some educated guesses at what might come next

Oil and gas production has already been hit hard, and the Alberta economy is reeling. It seems unlikely that, for now at least, more will be asked of oil and gas. Likewise coal-fired electricity generation is being pushed out with new taxes and caps. It seems plausible that new gains may have to come from somewhere else, such as the transportation sector.

All of the above changes are set against previously announced measures that were outlined in the mandate letters of the new federal cabinet:

- Developing a Canadian Energy Strategy that encourages energy conservation and that brings "cleaner, renewable energy onto a smarter electricity grid"
- Establishing a Low Carbon Economy Trust to fund projects "that materially reduce carbon emissions"
- Investing in clean technology producers
- Supporting innovation and the use of clean technologies in the primary resource sectors
- Tax incentives to encourage clean tech investment
- Investments in green infrastructure
- More thorough environmental assessments
- A more comprehensive NEB process

One significant election commitment that has yet to make it into a ministerial mandate letter is the phasing out of "subsidies" for fossil fuels over the medium term.

Opportunity Sectors

Canada's Paris commitments can only mean more attention for renewables such as wind and solar, but the real gains may be elsewhere. Some of the biggest potential for GHG reductions are in transportation. 70-80% of GHG emissions from a barrel of oil occur at the tailpipe. Increasing the use of ethanol and biodiesel in automobiles would substantially mitigate those GHGs.

Other likely winners are electricity storage (including advanced gas) methane capture, and energy conservation. Bus and train manufacturers will also do well. In the short run railways will profit as producers look to move more oil by rail. Some oil sands companies will benefit by new Alberta rules that reward those who produce less carbon per barrel than their peers. Farmers who practice zero tillage will profit by selling carbon offsets.

Sectors Facing Challenges

It is also the beginning of the end for some industries. Coal, already on the way out in Canada, will be effectively finished in a little over a decade. Question marks remain over the long term for many aspects of oil, gas and bitumen exploration, development and transport. The new 100,000 megaton cap on emissions in the Alberta oil sands will eventually limit oil sands expansion. Some analysts believe TransCanada's proposed Energy East pipeline cannot proceed if Canada is to hit the Paris commitments. The federal government ban on tankers on British Columbia's north coast has the Northern Gateway Pipeline on the ropes. Kinder Morgan's Trans Mountain pipeline has the best chance of proceeding but it

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will, at the very least, be delayed by the rule overhaul at the NEB. Lately environmental non-governmental organizations are raising serious question about the movement of oil by rail, a medium to long term threat.

Conclusion

The year 2016 is likely to be remembered as a turning point in Canada's future, for good or for ill, as new taxes, caps, rules and incentives combine to reshape energy production, generation, transport, storage and consumption, all driven to a significant degree by the COP21 agreement in Paris.

Most significantly, fossil fuels, though far from finished, will begin to yield at least some of their towering dominance to renewables. Energy conservation, better storage and carbon pricing will reduce overall energy demand. We can say that much with confidence. However it would be unwise to attempt to look too far ahead or to be too precise in our predictions. As always technology, politics and world events are bound to influence the future in ways that we cannot yet possibly see.

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