



***Continental Dynamics of Energy and Climate Change: Policies and Politics***  
**Working Lunch**  
**9 June 2009**

**Summary**

On June 9<sup>th</sup>, the Public Policy Forum (PPF) held a working lunch on the continental dynamics of energy and climate change. The PPF convened roughly 60 participants from all sectors to discuss with a panel of experts the evolving state of U.S. energy and climate policy, the implications for Canada, and what Canada needs to do to 'set the table' for effective bilateral climate policy cooperation with the United States.

The following key messages emerged from the discussion:

*A series of fundamental energy drivers will continue to frame the debate around climate change.*

- Demand for energy continues to grow.
- Substantial investment will be required to meet growing demand.
- Fossil fuels will continue to play a major role in the supply mix to at least 2030.
- In a world of rising energy demand, security of supply will become increasingly important.
- The projected costs associated with climate change mean that managing the environmental consequences of energy production and consumption will become increasingly important.
- The result is that energy in the future will have to be more local, low-cost, and low-carbon.
- One of the legacies of the National Energy Policy is that Canadians are reluctant to talk openly about energy policy. Canada will need the political maturity necessary to engage in an open dialogue about energy issues both internally, and—given that Canada operates in an integrated North American energy market, with a cross-border network of pipelines and transmission corridors—with the United States.

*The United States is back.*

- President Obama has signalled his administration's intention to have domestic legislation that caps carbon and allows market forces to drive innovation and entrepreneurship in clean energy.
- A significant R&D effort toward clean energy technology is also a priority.
- The U.S. has re-engaged in international climate change negotiations; a new global agreement must include significant commitments from all countries.
- Bilateral relationships are also important. China is key, and an intensive diplomatic effort is underway on that front to see how the two countries can work together.
- *The American Clean Energy and Security Act of 2009* (a.k.a. the Waxman-Markey bill) is the most significant piece of climate change legislation to be introduced in Congress to date. It was revised substantially from its original draft, has made it through the Energy and Environment Subcommittee and will be debated in eight House Committees before coming to a full vote in the House of Representatives. House Speaker Nancy Pelosi has indicated that she wants this vote to occur by July 4<sup>th</sup>; but this now seems optimistic. The same process will then occur in the Senate. There are varying views on the timetable for cap and trade legislation to be sent to the President. But it likely won't be before the end of 2009 or the start of 2010.

*The politics of moving forward*

- The prospects for North American alignment and cooperation on climate change are good. The debate is no longer about whether to act, but how. In that sense, Canada and the U.S. are more



aligned now than they have been at any time over the past eight years. But there are a range of extremely contentious issues that will come to fore in coming years, as both countries move into implementation of climate policies and regulations.

- Domestically, the federal government is committed to a suite of policies related to major sources of GHG emissions. Federal-Provincial-Territorial cooperation is critical, and though there is no formal process underway, we heard that there are promising signs of FPT engagement on climate change.
- Two key questions must be answered to make progress on a national approach to climate change. The first is—what do we want to do? Canada needs a national policy that meets our level of ambition. Delay will be costly, so we should act quickly and adjust as necessary. The second key question is—how? The first step is to adopt a harmonized national approach. The NRTEE has shown that this will be more efficient economically, and more effective environmentally. Effective governance arrangements will be critical: climate change is a long-term challenge that is rife with uncertainties; policies will have to adapt to changing circumstances.
- The next step is to link internationally, especially with the United States. Over the past several years, provinces and states have driven the agenda on engagement with the US. These activities need to come together now in a consistent framework—and it is in Canada’s interest to approach the issue from the perspective of how we want to share and shape the common economic space of North America.
- Increasingly, as both countries move toward national cap and trade systems, questions related to implementation will be at the heart of the debate. Most observers foresee the emergence of parallel and compatible systems. But linking with the US, while critical, will raise tough questions around targets (are they similar?), pace (as they in sync?), competitiveness (*e.g.* trade measures) and protectionism (*e.g.* specific cap and trade design features). These issues will be complicated by the fact that the two countries have distinct emissions trajectories, with Canada emerging as a significant energy producer, the US as a net importer.
- On the international front, Canada could use the negotiations toward the December 2009 UNFCCC meeting in Copenhagen as an opportunity to re-engage with China. Canada could also use the upcoming G-8 presidency (2010) to leverage post-Copenhagen momentum on climate change.