



# POLICY BRIEF

## July 2024

## TOWARDS A PRACTICAL CLIMATE POLICY – OPPORTUNITIES FOR AN ENVIRONMENTAL CONSENSUS?



*Photo credit – [Agriculture Adaptation Council](#)*

Several years ago one of us had the opportunity to see Brian Mulroney receive the Pollution Probe Environmental Leadership [Award](#). In his acceptance speech the former Prime Minister offered a retrospective on his own efforts for an environmental strategy that was, of course, based in Canada – but also rooted in a global context. It was to say the least compelling.

It got us thinking about what an environmental climate strategy might look like in Canada in the future – particularly in the face of very clear commitments to end the “[Carbon Tax](#)”, the central

feature of the current Federal government’s policy approach to climate. And make no mistake, there will be a future climate strategy; one only need look at the economic imperatives that led the Doug Ford government in Ontario to adapt and accept the need for an environmental and climate policy following their election in 2018 – particularly in regards to [energy](#). The lesson from the Ontario experience is that economic competitiveness (particularly domestic and foreign investment attraction) requires an environmental and climate policy. Like it or not, environmental and climate policies are here to stay.

The first climate policy wave was an attempt to aggressively address climate change in the domestic jurisdiction with carbon pricing as the core plank. But, while Canadians are concerned about reducing emissions, that concern does not supersede their other, often more urgent, concerns on social and economic issues. It did not, in other words, have political sustainability.

Proponents of the carbon pricing mechanisms argue that such tools are the most efficient way to incentivize behaviour changes. Those who argue against such mechanisms point to the nature of the blunt instrument that pricing tools represent; for example, making driving more expensive creates incentives to use alternatives – but – if those alternatives are insufficient or indeed don't exist then pricing mechanisms merely add costs without the attendant changes in desired behaviours.

This argument has been emphasized by many, especially in rural Canada and the agri-food sector. There have been compelling arguments for a more nuanced and practical application of carbon pricing that would target sectors and regions that can more easily and efficiently be induced to change behaviours allowing more time for the creation of efficient alternatives where none currently exist or are not yet cost effective.

But, such arguments are rendered moot as the politics of “Carbon Taxes” seem to work against its continued existence, a product of maturing, more nuanced public expectations.

The next phase of climate policy must therefore be more pragmatic and politically viable in order to be sustainable – and this is critical to ensure an investment climate that has some confidence in the policy sustainability of any future climate strategy. Carbon pricing in its current form meets the initial objective – be seen to be addressing carbon emissions – but fails the new requirements for coherence (carve out for east coast heating oil) and cohesion (out of step with our major trading partner), let alone political and policy sustainability.

The question is then, what does a post-Carbon Tax environment and climate policy look like?

Governments have a few levers on the policy front: taxes, spending and regulation. If broad-based pricing mechanisms are no longer politically palatable then future climate policies will necessarily be built around spending/incentives and regulation (with perhaps some targeted taxation tools e.g. [large industrial emitters](#)).

Certainly, the United States under the Biden administration has gone all-in on an incentive-based approach under the Inflation Reduction Act (IRA) – spending several hundreds of billions of dollars to incentivize new technology innovations and behaviour modification incentives. The possible election of Donald Trump could upend the US approach to climate policy with the former President [promising](#) to roll-back the IRA clean energy incentives along with a host of environmental regulations and international commitments. Any future Canadian government will have to contend with these widely different possibilities while at the same time acknowledging the real need to secure investment and make meaningful contributions to the ongoing international effort at addressing the causes and impacts of climate change.

As we proceed into a net-neutral future it will be critical to distinguish between the absolute and relative carbon footprint of different critical sectors – particularly those for which there are limited alternatives – like food and agriculture. For example, according to many [measures](#) Canada fares very well in terms of relatively robust sustainability practices. So, while in absolute terms there is some ways to go to achieve net-neutral production it would be obvious that having more Canadian production would be beneficial to the overall reduction in the global footprint. This will be critical in ensuring an apples-to-apples comparison (so to speak) of relative emissions amongst various production jurisdictions.

For agriculture and agri-food the risks are significant and the opportunity is equally profound. We have seen this dynamic play out again and again

over the past decades with a seeming see-saw between political and policy dynamics in which the environment is a significant government priority to the detriment of the competitive position of the industry and impacts on affordability. But, if we can learn from this, we can develop responses to these dynamics as a sector.

### ANY SUCH AGRI-FOOD SECTOR STRATEGY MUST INCLUDE THREE KEY FEATURES:

- 1. A globally focused strategy that recognizes relative and absolute measures of CO2 emissions.** Sustainability and prosperity require continually enhancing our competitive position.

Our ability to reduce emissions is therefore constrained first by our ability to include the cost of carbon reduction in our trade agreements and secondly, by our ability to design and implement innovations that both reduce emissions and enhance competitiveness at home and abroad.

Sustainability must include the ability for Canadians to prosper. This means investing in both mitigation and adaptation in order to improve the domestic foot-print while also looking at solving mitigation and adaptation challenges around the world.

- 2. More pragmatic approaches to climate action such as more targeted and strategic application of different governmental mechanisms**

Policy cohesion matters. Dramatic swings in climate policy (particularly in the objectives and measures that are the substance of policy) are the antithesis of the long-term strategies that can galvanize public action and corporate investment.

For example, accelerating investments in on-farm energy production like Bio-gas and Combined Heat and Power (CHP) represent significant opportunities to address regional capacity and voltage constraints, while bolstering regional reliability across rural Ontario which is also critical to ensuring that Ontario can capture significant

anticipated growth in the agri-food sector. At the same time, such solutions (technology and processes) can be developed for export around the world.

- 3. Inclusion of measures in current and future trade agreements to ensure a fair and level international playing field to maintain Canada's competitive position.** Canada is a trading nation. We cannot afford the arrogance of stand-alone climate policy or the willful ignorance of policy that ignores competitive pressures.

### The opportunity then is to lead - to create a credible sector strategy that:

- ensures that actions on climate support a competitive and efficient sector,
- acknowledges current environmental performance, and
- creates new opportunities at home and especially abroad.



Image Credit – [Enbridge](#)