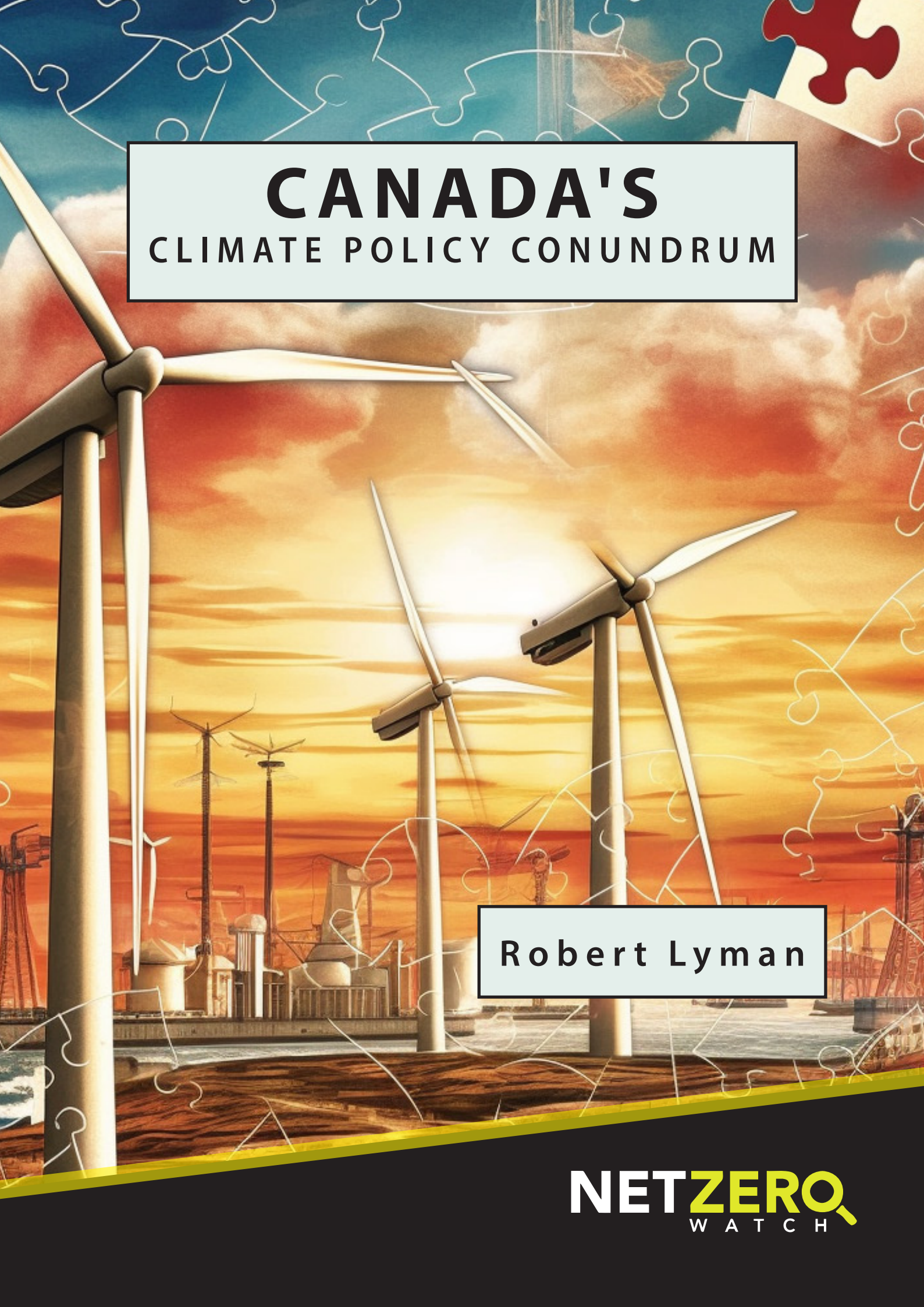
CANADA'S
CLIMATE POLICY CONUNDRUM
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Canada's Climate Policy Conundrum

Robert Lyman

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About the author

Robert Lyman is an economist with 35 years' experience as an analyst, policy advisor and senior manager in the Canadian federal government, primarily in the areas of energy, transportation and environmental policy. He also has eleven years' experience as a private consultant, conducting policy research and analysis on energy and transportation issues as a principal on the ENTRANS Policy Research Group. He has been a frequent contributor to the publications of Friends of Science, a Calgary-based independent organisation concerned about climate change-related issues. He resides in Ottawa, Canada.

Executive summary

Canada's economy and the standard of living of its people both rely on the availability of plentiful and relatively inexpensive energy and mineral resources. However, federal and provincial governments seek to implement an extremely costly and high-risk 'transition' to energy sources and technologies that are more expensive, less reliable and less secure than the ones now used. The preponderance of political forces strongly favours the current policy path, and the majority of the public, heavily influenced by the media, supports the 'green' agenda. This represesents a conundrum for those who view these policies as harmful and divisive, and see that if present trends continue, Canada's citizens will suffer serious consequences.

When might Canada change course, and turn away from the unattainable and destructive decarbonization targets? The case can be made that, at some point within the next decade, the consequences of current policies will become so dire that voters remove those responsible from office. Judging by events in Europe, however, it will take a severe energy crisis: high energy prices creating a 'heat or eat' dilemma, or power cuts. In the meantime, the most common view is that the path to policy change lies less in lobbying Parliamentarians than in altering public opinion.

I believe that reformers must present a coherent and positive set of policies, with broad appeal to the Canadian public; an alternative approach that better balances environmental, economic and social considerations, and behind which the nation can unite. This would build upon the public's distaste for high and rising carbon taxes, and promote 'no regrets' adaptation measures.

The Liberal Party government of Justin Trudeau is fully committed to current climate policies, strongly supported by the socialist New Democratic Party. This alliance has proven to be quite durable. So long as it continues, and both parties win enough seats in the House of Commons to hold a majority, it is extremely unlikely that there will be a major change in climate policy. The election of a majority Conservative Party government thus offers the only realistic prospect of any significant departure from present policy, and even that is not certain given that party's unwillingness to challenge the supposed science supporting climate alarm. So, unless Canadians can change the discussion, climate policies are likely to get very much worse before they get better. This will do deep, lasting harm.

1. Introduction

Climate policy in Canada now represents a fundamental challenge to economic prosperity. For reasons of geography, size and climate, the country's economy and standard of living are disproportionately reliant on plentiful and relatively inexpensive energy and mineral resources. However, federal and provincial governments have committed to a suite of climate policies that will increase the scarcity and cost of those same resources. They also seek to implement an extremely costly and high-risk 'transition' to energy sources and technologies that are more expensive, less reliable and less secure than the ones now used. Most political forces strongly favour the current policy path, and the majority of the public, heavily influenced by the media, generally supports a 'green' agenda, without necessarily understanding its consequences.

This all represents a condundrum for those who view these policies as harmful and divisive. If present trends continue, the economy, security of energy supply, and standards of living will be severely harmed. Is there a way to alter national energy and climate policies so as to avoid catastrophe? What would the key policies be, and how might the public come to support them? And how can Canadians have a genuine policy debate when a stifling orthodoxy prevails? This paper will offer speculative answers to these questions.

2. What is the problem?

The entire Canadian political elite, meaning all the major national political parties, the governments of most provinces, the mainstream media, most major industry associations, and most of academia accepts, with little question, the thesis that human greenhouse gas (GHG) emissions are causing both potentially catastrophic long-term climate change and a harmful increase in near-term extreme weather events. They also seem to accept, equally unquestioningly, the theses that significantly reducing global GHG emissions through collaborative UN diplomacy is possible, that Canada (despite its small share of global emissions) plays an essential role in ensuring the success of that diplomacy, and that an unprecedented change in the use of hydrocarbons (i.e. 'decarbonisation') can be achieved by 2050. They also believe that reducing the country's emissions will make a meaningful difference to the global climate.

With the broader public, a form of 'groupthink' prevails, especially among highly educated progressives, who seek to increase the role of government, promote stakeholder capitalism, pursue environmental, social and corporate governance (ESG) industry practices, advance critical race theory, and generally move Canada to the left politically. For progressives, climate change justifies more intrusive regulations, higher taxes and much-increased public spending. So, those who oppose these views are fighting, not just credulity, but also ideological commitment. In addition, there is the commercial self-interest of rent seekers.

In support of this near-consensus, federal and provincial governments, increasingly joined by municipal ones, have implemented several hundred different emissions-reduction measures.[1] These span the complete range of policy instruments (regulation, taxation, subsidies, moral suasion, etc). Despite occasional contrary comments by auditors general, governments express no concern about egregious levels of overlap and duplication among these measures, or about the lack of either cost-benefit or cost-effectiveness analyses.[2]

These measures involve very high financial and economic costs. Over the last seven years, the federal government has spent over CAD $120 billion* on climate-related programs, loosely defined. Provincial governments have also made large expenditures, the amounts of which have not been published. The federal carbon dioxide pricing system now imposes a standard levy of CAD $65 per tonne† of covered emissions, and is scheduled to rise in steady increments to $170 per tonne‡ in 2030. These rates are far above any similar carbon dioxide charges (i.e. taxes or emissions trading permits) imposed on businesses in Canada's principal trading partners – the United States, Mexico and China.

The impacts of these policy measures are increasingly onerous. The CD Howe Institute, a prominent Canadian think tank, reported that in only two years (2017–2018), CAD $100 billion§ in project capital investment was foregone as a result of the disapproval, cancellation or deferral of petroleum production and transportation projects.[3] Many industrial firms have either closed their operations or moved them outside Canada. Carbon dioxide taxes increasingly undercut the competitive viability of emissions-intensive industries in the resources and manufacturing sectors. Extraordinarily large subsidies paid by federal and provincial governments to favour renewables and other 'clean energy' sources are adding to Canada's already inflated public debt and increasing inflation. Increasingly intrusive state control and central planning of the economy are together robbing citizens of their freedom of choice.

The long-term costs of pursuing the net-zero objective will be much higher. A recent study by the Royal Bank of Canada Economics Unit estimated that the cost of decarbonising by 2050 could be CAD $2 trillion,¶ roughly the size of the country's annual GDP today.[4] A study by the McKinsey Global Institute was even more pessimistic. It estimated that to achieve net-zero by 2050, Canadians would incur CAD $7 trillion** in capital costs alone.[5]

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* £70 billion

† £39/t.

‡ £100/t.

§ £60 billion.

¶ £1.2 trillion

** £4.2 trillion.

The impacts of these measures now fall disproportionately on the major hydrocarbon-producing provinces of Alberta and Saskatchewan, but ultimately they will adversely affect the incomes of all regions that rely on agriculture and the traditional resource industries: forestry, pulp and paper, and mining.

The federal government has expanded its use of subsidies to sectors and firms focused primarily on what it defines as the 'clean' economy, but also on those that would otherwise be adversely affected by climate policies. The 2023 federal government budget included the promise of at least CAD $121 billion[††] in new subsidies over a ten-year period. Many of the measures introduced are refundable tax credits (i.e. tax reductions) for firms with taxable income, and direct grants for those without. The beneficiaries will include not only the renewable energy industries, but also firms involved in extracting and producing minerals essential for batteries, nuclear energy, grid-scale electricity storage, zero-emission vehicles, 'clean' hydrogen and carbon capture, utilization and storage. The groups that should be allies in opposing climate-policy-justified central planning have become complicit in furthering it, because even if these policies lose money overall for Canadians, they will now be profitable for those firms receiving government aid.

The federal and provincial governments seem intent on providing subsidies to electric vehicle plants so as to out-bid the Biden Administration and its Inflation Reduction Act. There seems to be a global competition to see who can provide the most support for 'clean energy'.[6]

Well-funded environmental organisations are increasing their efforts to persuade the courts to impose obligations on governments, business and individuals; obligations that have not been imposed by legislation. No level of government is challenging these efforts; indeed, there is reason to believe that the federal government welcomes them.[7]

Opposition to these measures is constantly thwarted by an intolerance for dissent. Anyone engaged in the issue knows that there is latent, *sotto voce* scepticism about both climate alarmism and the prospects for a green transition; people are afraid to say anything. The debate is further skewed because those organisations that advocate for radical climate policy measures are largely funded by provincial and federal governments, both directly and indirectly, because of the tax benefits of their status as 'charities'. In contrast, organisations that promote climate realism are starved for funds. They lack organisational skills, and many dare not undertake coordinated action with similar groups for fear of losing scarce funding to them.

Public attitudes seem to be heavily influenced by climate campaigners' dominance of the media. Young people are es-

†† £72 billion.

pecially vulnerable to false claims that we face an impending climate catastrophe unless 'urgent' actions are taken to reduce emissions. Meanwhile, the federal government's communications campaign stresses that a 'transition' will increase economic activity and employment rather than destroy it. Polls indicate that the general public, especially in Quebec, supports the general thrust of climate policy, but remains somewhat skeptical about the merits of 'carbon taxes'.[8]

Given all these factors, even politicians who may be skeptical about Canadian climate policy are very reluctant to say so publicly, for fear of being labelled a 'denier' or anti-environment, and being forced by their own parties to recant in shame and confusion.

The case can be made that the economic, social and political consequences of current policies will be so dire that, within the next decade, they will 'hit the wall'. This might happen in several ways, perhaps in combination. There may be technological or economic limits on the pace and/or feasibility of transition in the energy system; there may be severely adverse impacts on the cost or reliability of energy supplies. Alternatively, reduced revenues from the resource industries, alonside spending on climate measures (and already generous social programs) may lead to declining government finances, poor credit ratings and ultimately to action by international financial institutions.

'Hitting the wall' is admittedly an imperfect metaphor, in that it implies the appearance of an insurmountable barrier. It is equally likely that a series of deep problems ('potholes'?) will emerge, and the cumulative effect will prove intolerable to the public. Under such conditions, voters might rebel against climate policies and remove from office all those responsible for them. However, judging by events in Europe, it takes a long time to reach this point. Potentially, only a severe energy crisis – blackouts and/or skyrocketing prices – will bring about change. Even then, the advocates of climate alarm are very skilful at shifting the blame for their policy failures on to others. So, unless Canadians can change the discussion, decarbonization policies are likely to get very much worse before they get better and do deep, lasting harm.

To be fair, there are some reasons for a more optimistic view. In Ontario, Canada's most populous province, the former Liberal Party government passed legislation in 2009 authorizing the phase out of coal-burning power plants and a broad suite of measures to subsidize wind and solar power generation. As a result, the cost of electricity doubled and the provincial Auditor General reported that this was the direct result of government policies. The Liberal Party was not only defeated in the next election but was left with very few seats in the legislature. The lesson may be that, regardless of how much Canadians support climate

policy when they are told it is free, they tend to change their minds when it turns out to be costly. Unfortunately, this consumer revolt has not yet been replicated elsewhere in Canada.

There is also a possibility that the public perception of climate policies will become intertwined with concerns about broader issues, notably inflation and a lack of energy security. Inflation is perceived as a 'hidden tax' on all, and the rising cost of energy services, transportation and housing is increasingly viewed as affected by climate policy. The war in the Ukraine has drawn attention to the importance of energy security and the key role of hydrocarbons in assuring it. Events in Europe show that adequate and reasonably priced energy supplies need to be insulated from geopolitical risk. Nevertheless, the Trudeau government so far sees no need for increased production of Canadian oil and natural gas to meet international demand. Unfortunately, one can only speculate as to how or when these issues may change the public's support for current policies.

3. Defining a strategic response

What are the elements of a strategic response to this situation? How, and under what conditions, could Canadian climate policy be reformed so that it serves the public interest?

I offer the following personal observations, as someone who has been involved in analyzing and advising on climate policy in the country for over thirty years.

The forces that support current climate policy are so entrenched and powerful that supplanting them, if possible at all, will only occur over a long period as a result of a sustained, carefully planned effort by an organized group of actors. Ultimately, it will require the establishment and growth of a broadly-based social movement, led by skilful leaders who have a keen sense of what is possible in political and policy terms. Such an organization does not exist today, and would have to grow from small beginnings.

Some will argue that the best way is to alter the views of the political elite (i.e. the Ministers of the Cabinet, influential members of the governing political party, the senior bureaucracy and those best placed to influence them directly). Thus far, unfortunately, they have been very resistant to contrary views. The Conservative Party dilemma was neatly captured by Ross McKitrick, a professor of economics at the University of Guelph.

> The problem is that there's no way for any country to achieve net-zero (basically, balancing the amount of greenhouse gas emissions produced with the amount removed from the atmosphere) without experiencing ruinous economic hardship. These days it seems the only way to get elected is to commit to this goal and lie about your plan to get there. It's a deep

> conundrum. To be credible about reaching the goal you must promise measures that will get you thrown out of office if you implement them. Alternatively, policies you can credibly commit to won't get you to the goal.[9]

Some experts close to the Conservative Party argue that principled politicians can shape public opinions by their statements and leadership. They point out that even small numbers of backbench MPs (six to eight or fewer) can form a sub-group within the Conservative caucus and, by threatening to publicise their concerns, can become an effective force for change. No party leader would want the media to become aware of a division within the party. There already are a small number of backbenchers opposed to the general thrust of 'net-zero' policies. It would not be impossible for well-informed outsiders to encourage the growth of this group through lobbying and briefings. However, in conversation with a Conservative back-bencher, I was told that the present caucus is tightly managed; until the party actually wins office, there seems a low probability of organized dissent. Besides, many Conservatives are being lobbied by firms that want access to the green subsidies.

The most commonly held view, for the time being, is that the path to policy change lies less in lobbying Parliamentarians than in altering public opinion. It is not clear if this is best done by improving the information available to the public, by good policy 'messaging', or by appeal to certain values. Almost certainly, it will require all three tactics, but to say so is only to begin to address the details.

To change Canada's climate policy, I believe reformers must take the following steps:

- They must present a coherent and positive policy alternative that is viewed by the public and political leaders as a better balancing of environmental, economic and social considerations, and as essential for national unity.
- They must make effective use of public communications and find the right balance between challenging the logical and factual flaws in current climate science and policy on the one hand and explaining the merits of an alternative approach on the other. The communications must be simple to understand and stress the adverse effects of present policies on people's lives.
- They must build a strong grassroots organization, mobilizing support by increasing people's sense of 'agency' (or willingness and ability to influence policy through engagement).
- They must make a concerted effort to work together and with like-minded organizations within Canada and in other countries, sharing research, coordinating messaging, and finding successful funding approaches.

- They must give more attention and resources to the targeted lobbying of political parties and elected officials, using the same tactics that the climate campaigners have.

There already are some examples of small, lightly-funded organizations that have used social media to reach broad audiences. One is Climate Discussion Nexus, an Ottawa-based organization. It has used online commentary and professional YouTube videos to reach over 75,000 regular subscribers. Its videos have so far been viewed almost 8 million times. The other example is Friends of Science, a Calgary-based organisation initially founded by a group of retired scientists and engineers. These organizations have demonstrated that it is possible, with very few funds, successfully to reach a substantial share of the public. Neither engages in direct lobbying of elected officials.

4. The proposed policy 'platform'

There are two broad approaches to defining a climate policy platform that might be politically appealing. They differ in the degree to which they challenge the main scientific theses that underpin current climate policy.

One approach might be described as the 'Bjørn Lomborg model.' The famous Danish environmentalist has argued that human-induced climate change is occurring and that it probably will have adverse effects, but that other social and environmental issues are more serious threats to humanity and should be addressed as higher priorities. He has emphasized the limitations of currently available technologies to achieve a cost-effective transformation of the global energy system. He therefore advocates a significant increase in funding of basic science to accelerate the discovery and commercialization of new emissions-reducing technologies. He suggests skepticism towards radical policy proposals not grounded in science, engineering or economics.

Lomborg's approach might also emphasize collaborative international emissions measures as a precondition for more costly and intrusive policies in Canada. For example, Canada might condition its support for UN decarbonization goals on China and India, the fastest growing sources of emissions, making genuine efforts to mitigate them.

Rey Teixeira, author of *The Optimistic Leftist*, has suggested a way in which the US Democratic Party and other progressive politicians might be persuaded to adopt a more practical approach to climate policy.[10] In the simplest terms, the approach might be stated as follows:

> Climate change is a serious problem but it won't be solved overnight. As we move toward a clean energy economy that recognizes the need for increased supplies of all energy sources, energy must continue to be cheap, reliable and abundant.

That means fossil fuels, especially natural gas, will continue to be an important part of the mix.

The second approach incorporates a more explicit challenge to the thesis that human emissions will have a catastrophic effect on the climate. Under this approach, the goal of climate policy would be defined in terms not of emissions reduction targets but of improved environmental quality through genuine pollution reduction, the preservation and advancement of prosperity, assurance of energy security, support for national unity through responsiveness to the concerns of all regions, adherence to good public policy principles (including the rigorous assessment of advantages and disadvantages and the cost-effectiveness of different policy measures), and protection of Canada's national interests, including its ability to assist its allies in Europe. Under this approach, Canada would ensure that climate measures adopted would not undermine the competitive viability of most firms; specifically, no important Canadian tax or regulation would be more stringent than those applied generally in the United States.

Under both alternatives, Canada might shift its emphasis from looking to force the introduction of new and immature energy technologies to seeking better alternatives, through support for research, development and initial commercialization. They would shift the focus to adapting to climate change where this is needed. Testing in public fora has demonstrated that an increased focus on climate adaptation would have broad appeal.

Similarly, a new or 'reformed' approach might insist upon a more inclusive process for developing future climate policy. Under Canada's constitution, the provinces are the owners of the subsurface resources, but the federal and provincial governments share jurisdiction over environmental matters. The federal government has recently implemented climate policies that run counter to provincial government objectives. Under a reformed approach, the provinces would be accorded an equal role in the setting of climate policies that affect resource development. It will also be necessary to ensure that the bodies advising on energy and climate policy operate independently from the government, and encompass a wide-range of scientific and economic expertise.

5. What are the prospects for change?

The Liberal government, now led by Prime Minister Justin Trudeau, is fully committed to current climate policies and is strongly supported in this by the New Democratic Party. This alliance has proven to be quite durable. So long as it continues, and both parties win enough seats in the House of Commons to hold a majority, it is extremely unlikely that there will be a major change in climate policy. This situation will prevail unless and until climate policy 'hits the wall', as previously described, and that may be after 2030. The election of a majority Conservative government thus offers the only realistic prospect of any significant departure from present policy, and even that is not certain, given that party's unwillingness so far to challenge the supposed science supporting climate alarmism.

The strongest impetus for change comes from the western provinces of Alberta and Saskatchewan. However, there are many businesses and groups across Canada that will be harmed by increasing carbon dioxide taxes and might become engaged politically. Notably, there is mounting anger in the politically-powerful agricultural sector because of the threat of regulations to reduce the use of nitrogen fertilizers. It may therefore be possible to engage many of the hundreds of thousands of Canadians who are already angry about climate policies, at least to the extent of contributing funds.

Canadian climate policy will not be changed unless those seeking reform have access to sufficient funds to build their organizations and make an impact. Outside of the petroleum industry, the generally-disconnected and non-aligned organizations and individuals involved in the climate policy reform movement in Canada lack such access. They are spread paper-thin, and struggle to respond to the deluge of environmental and governmental initiatives. How can they make a case for more funding, when sponsors want early and tangible results?

One measure of whether existing groups can achieve some impetus will be the role they play in the next federal election, which could happen within two years. They would be wise to work with politicians of all parties, and to relentlessly attack carbon dioxide taxes, the least popular element in the current climate policy framework. The desired outcome would be the reduction in the number of seats held by the current government or, failing that, the advent of a Liberal government more responsive to public concerns about the adverse economic effects of global warming policies. The alternative – waiting for climate policy to hit the wall – will be far more costly for all.

Notes

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For further information about Net Zero Watch and the Global Warming Policy Forum, please visit our website at www.netzerowatch.com.

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