

# Climate Choices Canada Commentary<sup>1</sup>

## Challenges for Climate Policy Resiliency in Canada

By  
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### Key Observations:

- Determining how Canada will transition to a low carbon economy by the middle of the century will require clear, ambitious and achievable targets, and the federal government can play an important role in framing and coordinating provincial targets.
- The fragmented nature of climate policy between the federal and provincial governments can produce unanticipated climate policy interaction. For example, differing levels of ambition or policy tools may undermine the effectiveness of collective efforts.
- Consideration should be given to improving the long term resiliency of climate policy, which is challenged by political acceptability and external limitations, such as the WTO.

### Introduction:

Climate change is an unprecedented issue with widespread and fundamental impacts on ecosystems and human societies. To address such an issue is a monumental task that will, in many cases, require cultural and economic transformations which will be nothing short of a revolution. How can Canada work towards this transition to a low carbon economy by the middle of the century and what policies are required to do so?<sup>3</sup> This transition will require policymakers to craft *resilient* climate policies which bridge factors, such as electoral politics and changes in government, to provide a durable and lasting policy framework.

This commentary discusses the critical features which characterize resilient climate policies, including the importance of setting coordinated, ambitious, and achievable long term targets. It then considers, in the Canadian context, what role the federal government can play in framing and coordinating resilient climate policies. Finally, it examines several domestic and international challenges to climate policy resiliency over the short and long term and how they can be addressed.

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<sup>1</sup> *Climate Choices Canada* took place February 18 to 20, 2016 in Waterloo, Ontario. This commentary is based on the author's insights and observations arising from the conference presentations and participants' discussions.

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<sup>3</sup> This was a recurring question at the *Climate Choices Canada* conference. Simon Dalby (Pre-conference "Climate Policy and Decision Making"), Laura Zizzo (Pre-conference "Climate Policy and Decision Making"), David McLaughlin (Session #1: Opening Keynote Address), James Meadowcroft (Session #2: Stock-Taking Panel), Miranda Schreurs (Session 4, "Instrument Design and Implementation").

## What is Climate Policy Resiliency?

Climate change is associated with deep and lasting impacts on humans and ecosystems, meaning that policies aimed at addressing these must be equally comprehensive and long lasting to have any significant effect. A critical, yet often overlooked, consideration in the drafting of climate policy is a focus on *resiliency*. Resilient policies are those which can bridge various factors, such as electoral politics and government turnover, to provide a lasting policy framework. While the multitude of climate strategies at the local and provincial level are instrumental, they are nonetheless susceptible to change in the medium to short-term based on a number of variables which include popular opinion, economic circumstances, political leadership, and international constraints. These variables are constantly in flux, resulting in a volatile situation in which climate policies are frequently drafted, revised, repealed or otherwise altered. Resiliency is therefore the concerted effort on behalf of policy makers at all levels to bridge these volatile factors and implement coordinated, sustained, and consistent long-term climate policies. Resiliency has two key features, durability over time and effectiveness.

The first key feature, durability over time, demands a recognition of the fact that time horizons are critical for climate policy resiliency.<sup>4</sup> Mel Cappe suggests that “this is nothing less than the future itself,” and for this reason we need to look over the horizon and anticipate in the long run where we want to be and what we need to accomplish to get there.<sup>5</sup> This requires us to consider fundamental questions regarding short-term versus long-term thinking. In the Canadian context, there are many examples of insufficient attention being paid to the inclusion of climate change perspectives in the long-term thinking of different institutional bodies and policies. However, isolated short-term targets and goals alone are insufficient and subject to changes over time. Policy makers, as well as the public and other stakeholders, need to instead conceptualize the task on a grander scale. This involves consideration of how we can collectively transition to a zero or low carbon economy, then tracing back of our steps from there in a consistent and sustained manner.

The second feature, effectiveness, is a critical when drafting resilient climate policies. For example, is resilience alone enough to justify a climate policy? It would seem that a resilient yet ineffective policy is actually more detrimental in the long term and may result in rigidity and a lack of responsiveness. Further, should effectiveness be sustained over time? It is no doubt important to assess the effectiveness of a policy at different stages of implementation and in the face of dynamic circumstances. Resiliency therefore does not entail a static adherence to existing policies, but instead is a common recognition of the need for fluid and effective climate policies over the long term, which transcend the relatively inconsequential and often detrimental short-term interests and considerations of the day.

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<sup>4</sup> Point raised by several presenters, including: Laura Zizzo (Pre-conference “Climate Policy and Decision Making”), Robert Gibson (Pre-conference “Climate Policy and Decision Making”), David McLaughlin (Session #1: Opening Keynote Address), Mel Cappe (Session #2: Stock-Taking Panel), James Meadowcroft (Session #2: Stock-Taking Panel).

<sup>5</sup> Mel Cappe (Session #2: Stock-Taking Panel).

## **Climate Policy Resiliency in the Canadian Context**

A critical first step to ensuring resiliency and the transition to a low carbon economy is setting clear, ambitious, and achievable targets for climate policy action. Institutional design and policy is dampened if it is aimed at shallow, weak, inconsistent, or unclear goals. Simply having a clear and ambitious set of targets to achieve the long-term end goal of a low carbon economy will help frame the discussion and encourage action, regardless of the targets. Europe's 2020 climate and energy package is an excellent example of the positive effects of clear and ambitious target setting.<sup>6</sup>

In the Canadian context, the federal government can step in to support resiliency in two key ways. First, it can play a framing role, in conceptualizing climate change as a critical and long-term issue. The federal government can also stress the co-benefits of climate policies as an opportunity to transition to healthier, more sustainable, and prosperous societies. This is already occurring in Europe, where there is competition among cities to be the greenest and cleanest because of its net benefits for investment and quality of life.<sup>7</sup> Second, the federal government can play a coordinating role by ensuring unified and ambitious targets. Fragmentation and variation in climate policy ambition and strategies at the provincial level has been the product of the devolution of powers in a federalist system and the previous lack of federal presence in climate policy. To address this fragmentation and foster resiliency, the federal government can play the role of a "systems integrator" through collaboration with, and between, provincial governments to unify targets towards a single cohesive goal.<sup>8</sup> Inclusivity and public engagement in the process of target setting is also crucial to ensuring legitimacy and long-term resilience. If the federal government signals it is committed to addressing climate change through clear, transparent, and inclusive targets, this will help signal to the public that if the government believes in it, they should too.<sup>9</sup> Therefore, federal leadership in a clear framework for ambitious and achievable action is a necessary first step for resilient climate policy in Canada.

## **Challenges to Climate Policy Resiliency**

### *Getting the Targets Right*

The substantive nature of the targets being set is critical to their long term resilience and effectiveness. As argued by David McLaughlin, while optimism is necessary, these targets must remain within the realm of realism and achievability.<sup>10</sup> If targets are unreachable, then they will again foster a cynicism and pessimism which negates the goals of the targets in the first place. Therefore, there is a delicate balance between setting targets that are ambitious and targets which are achievable. This entails a skillful determination of trade-offs and the timing of increasing ambition over time to match with increased public and governmental support at all levels.

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<sup>6</sup> European Commission, (2016), 2020 climate & energy package, retrieved from [http://ec.europa.eu/clima/policies/strategies/2020/index\\_en.htm](http://ec.europa.eu/clima/policies/strategies/2020/index_en.htm).

<sup>7</sup> Miranda Schreurs (Session 4, "Instrument Design and Implementation").

<sup>8</sup> Paul Boothe (Session 3: Linkages and Coordination).

<sup>9</sup> David Estrin (Pre-conference "Climate Policy and Decision Making"), David McLaughlin (Session #1: Opening Keynote Address).

<sup>10</sup> David McLaughlin (Session #1: Opening Keynote Address).

## *Political Challenges*

There are a number of domestic and international political constraints which can inhibit climate policy resilience. In a domestic context, a key limitation is *political acceptability*. Indeed, the deep societal and energy transitions necessary to address climate change in Canada will be a tough sell politically. This is particularly so because the short-term costs associated with climate policy often override any potentially far-reaching benefits, for example the perception of trade offs between jobs and the environment. The importance of political acceptability is reinforced by the numerous examples in Canada of weak and ineffective environmental and climate policies over time, such as information programs, labels, moral incitation, modest subsidies, and modest regulations, which are less intrusive and easier to sell to the public.<sup>11</sup> The current political landscape in Canada also poses several challenges. For example, the federal government is in a bind over its criticism of the weakness of the previous government's targets, which will nonetheless be difficult to achieve and may prevent setting more potentially unrealistic targets.<sup>12</sup> Electoral politics and popular support also impact what is politically acceptable, since elections can be won because of, or in spite of, carbon pricing strategies. Further, a key insight from the conference is the recognition that to combat these political acceptability challenges, public education and engagement with climate policy is of the utmost importance. Framing is also critical and, as previously mentioned, can be undertaken at the federal level.

In addition to domestic political acceptability, international constraints can also inhibit climate policy resilience. One specific example which highlights the complex interplay between ambitious and long term climate policy goals, political acceptability, and external restraints is the interaction between provincial carbon taxing systems. If undertaken in one province, such as BC, there is the risk of "carbon leakage," where BC producers can produce products outside the province and import them back into the province to evade the tax. Similarly, under a national carbon taxing system, this issue of leakage remains when considering differences in domestic and international carbon taxation levels. This can undermine the possibility of provincial or national carbon pricing, due to public concerns about the potentially negative harm to economic and trade competitiveness, impacting the decision of a democratically elected official to move forward with such a policy if resistance is strong enough. Maria Panezi argues that a potentially simple and straightforward solution is a border carbon adjustment, which can ensure export-import neutrality through a rebate for exports to maintain competitiveness and a tax is placed on imports for their carbon usage which matches the domestic tax.<sup>13</sup> However, this approach may run afoul of the international trade regime and leave Canada open to legal challenge at the WTO. While an argument can be made that WTO boundaries should be tested, especially if the border carbon adjustment is evenhanded and non-discriminatory, external factors such as trade rules nonetheless alter public and government climate policy ambition. This demonstrates that policy makers must consider both the domestic and international consequences of policy decisions, which may serve as inhibitors or barriers to more ambitious and resilient climate policy over the long term.

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<sup>11</sup> Mark Jaccard (Pre-conference "Climate Policy and Decision Making").

<sup>12</sup> David McLaughlin (Session #1: Opening Keynote Address).

<sup>13</sup> Maria Panezi (Pre-conference "Climate Policy and Decision Making").

## *Climate Policy Overlap*

The interaction between policies at different levels also has a profound impact on resilience and effectiveness. In the system of Canadian federalism, unclear constitutional jurisdiction of climate policy and previous federal unwillingness to address the issue has resulted in fragmented governance as the provinces filled this vacuum. As Mark Winfield suggests, the challenge now for the federal government is to integrate and coordinate the different “trains” which have left the station in the provinces.<sup>14</sup> In terms of climate policy interaction, the differing levels of ambition between the provinces and their interaction with one another may undermine or reduce the effectiveness of climate policies to reduce emissions or meet their targets. Politically, this interaction may result in a watering down of ambition, based on the argument that the least ambitious provinces can free ride on the efforts of the more ambitious actors. However, this is somewhat of a misconception given the imprecise and blanket nature of federal increases in taxation, which may reward early adopters of carbon taxing policies at the expense of other provinces. It is also clear that overly ambitious achievements in one provincial carbon trading system may simply move the cap up for others, shifting emissions without actually reducing them.<sup>15</sup> Therefore, we need to consider how climate policy interactions affect the ability to meet overall targets or goals. Many strategies and policies can have rippling political and economic consequences on other policies which must be recognized. The lesson which can be drawn is that more institutions and more policies do not ensure more effective climate policy. The fragmented and complex web of provincial and federal institutions and policies may in fact undermine overall climate policy goals and resilience, since a policy may be sustained over time but is ineffective because of what others are doing. This affirms the important role of institutional coordination and communication, which again the federal government can play a role in.

### **Summary**

It is evident that while a concerted effort to address climate change is necessary, it alone is not enough. Policy makers must also consider where exactly this effort is being directed and over what time frame. It is clear that for Canada to meet its international and domestic commitments, this will require a more comprehensive and resilient set of climate policies which strives for long-term transition to a low carbon economy. The question which policy makers now need to grapple with is how to reconcile ambitious and long-term target setting with domestic political acceptability and international constraints in a federal system where policies may overlap. A critical first step will be federal-provincial coordination, given the significant potential for redundancy and duplication which undermines collective climate policy goals. While overcoming these challenges to resiliency will be no small task, they must nonetheless be considered by policy makers at all levels as necessary for Canada to meet the demands of climate change adaptation and mitigation now and in the future.

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<sup>14</sup> Mark Winfield (Session 3: Linkages and Coordination).

<sup>15</sup> Nic Rivers (Session 4, “Instrument Design and Implementation”).

**Sources Cited:**

European Commission. (2016). 2020 climate & energy package. Retrieved from [http://ec.europa.eu/clima/policies/strategies/2020/index\\_en.htm](http://ec.europa.eu/clima/policies/strategies/2020/index_en.htm).