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Cut greenhouse gas emissions in ways that preserve jobs

After many years of vague talk by governments about fighting global warming, it is encouraging that the debate has finally begun to tackle specific mechanisms to achieve cuts in greenhouse gas emissions.



A carbon tariff system would level playing field between jurisdictions, writes Ken Neumann. (PAUL LACHINE / NEWSART)

By **KEN NEUMANN**

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After many years of vague talk by governments about fighting global warming, it is encouraging that the debate has finally begun to tackle specific mechanisms to achieve cuts in greenhouse gas emissions.

However, now that policy-makers are considering competing proposals for setting a price on carbon in the Canadian economy, it is vital to make sure that the design preserves and enhances Canadian jobs, especially in the manufacturing sector, rather than accelerating the job-

destroying trends already in place.

Addressing global warming will require a wide range of measures, including investing in public transit and renewable sources of energy. But currently the debate is focused on carbon taxes and cap-and-trade systems.

Monday's announcement by the premiers of Quebec and Ontario that those two provinces will work together on a trading system is the latest step on the road to achieving cuts in greenhouse gas emissions. Manitoba and B.C. are well advanced in working with several U.S. states on a similar arrangement in the Western Climate Initiative.

The issue figures to feature prominently in the next federal election, with Liberal Leader Stéphane Dion arguing the benefits of a carbon tax, while NDP Leader Jack Layton makes the case that cap-and-trade would do a better job of putting the costs on big polluters rather than on low-income families.

Even the counter charge from federal Environment Minister John Baird that the Harper government's approach would be stronger, while lacking in credibility, in its own way advances the day when a mandatory and effective carbon-pricing system will be put into place across Canada.

That goal needs to be balanced by avoiding the counterproductive effect that would be created if a carbon-pricing regime in Canada simply displaced production to another jurisdiction that has not yet put a comparable system in place. The effect of such displacement would globally result in an increase in greenhouse gas emissions rather than a decrease.

Fortunately, promising ideas are already circulating that would help make the transition to a less carbon-intensive economy compatible with maintaining and creating high-quality jobs in Canada.

In the March 2008 issue of *Policy Options*, Queen's University professors Thomas J. Courchene and John R. Allan make a persuasive case that a carbon tariff could "ensure that our efforts do not subject Canadian firms to unfair competition in domestic and external markets from firms located in non-participating countries."

In such a system, imports from countries that do not price carbon emissions would be subject to a tariff equivalent to the price imposed on the carbon content of such goods made in Canada, counting the carbon emitted to produce goods and to transport them here. Similarly, exports from Canada to countries that have not yet put a price on carbon would benefit from a rebate.

Such a carbon tariff system would level the playing field between those jurisdictions that are taking the lead in fighting global warming, such as the European Union and (we hope) Canada, and those that may be lagging. However, once an international system for limiting carbon emissions is in place, carbon tariffs will no longer be useful or necessary.

In the meantime, the positive effects of such a system of carbon tariffs should not be underestimated. A study issued by CIBC World Markets in March suggested that a system of carbon tariffs, combined with oil prices more than \$100 a barrel, "could reverse the migration of certain manufacturing industries that have left North America for much cheaper labour markets in China."

This would happen for the best of reasons since manufacturing in North America is significantly more carbon-efficient than in the low-cost markets where jobs have been driven over the last decade.

Climate activists are understandably wary about demanding tough controls on developing countries whose per-capita emissions are a fraction of Canada's. But the carbon tariff would actually offset what amounts to a subsidy for Canadian consumers buying from low-cost but high-emission producers. It would have no effect at all on goods produced in China or other developing countries for their own domestic markets. That is an issue properly addressed in ongoing international negotiations.

Meanwhile, a system ensuring that state-of-the-art controls on emissions do not translate into a fatal competitive disadvantage would enable Canada to throw all its energies at providing incentives for the high-quality "green jobs" that need to be in place for the next generation.

A doubling of the price of oil in less than a year has had only a limited effect on gasoline consumption, at least in the short term. This makes it clearer than ever that any system of carbon pricing, whether based on taxes, caps or some combination of the two, can only be one part of a comprehensive set of policies to achieve climate change goals.

Canada also needs an aggressive commitment to public transit, more building retrofits, tough efficiency regulations, greatly expanded renewable power, measures to reduce the carbon impact of existing sources of energy and procurement rules to make sure that the related products and services paid for by taxpayer dollars go to support good Canadian jobs.

The United Steelworkers union has been on record calling for strong action to avert global warming since 1990, when the union issued a landmark document, *Our Children's Future*. Steelworkers supported the Kyoto accord, and reject the idea that protecting the environment needs to result in a damaged economy.

For workers, the bottom line is that, in the absence of sound policies, there is no guarantee new environment measures might not cause even more harm to a battered manufacturing sector in Canada. A well-designed carbon tariff system can be part of the solution.

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