The key considerations inherent in the climate change convention as we see them are cost-effectiveness, comprehensiveness, and joint implementation.

We think the cost-effectiveness issue is best reflected in the value of using economic instruments, which provide for flexible, cost-effective and innovative action by many decision makers.

In terms of comprehensiveness, it is most important that there be consideration and inclusion of all greenhouse gases, all sources, sinks and reservoirs, to take account of all factors that relate to this issue and enable cost-effective action.

Joint implementation relates to the potential benefits from global, not just national or regional action. We see the benefits of joint implementation, including the flow of funds from the developing countries to the South and technology cooperation between North and South.[87]

Within the context of economic instruments, Erik Haites described how a carbon tax and a tradeable permits program could be used to assist in the transfer of resources to developing nations:

Both would provide incentives for fuel switching and adoption of energy efficiency measures and would also provide mechanisms whereby we could transfer resources to developing countries.

In the case of the carbon tax, we would have tax revenue to transfer to a Global Environmental Fund. In the case of tradeable permits, we could allow Canadian sources to comply with their emissions limits by acquiring permits from developing countries. In order to acquire those permits, they would obviously have to buy them, which represents a transfer of resources, but one that's accomplished without going through government accounts and a tax system.[88]

There was general agreement that the potential exists for economic instruments to become an effective means of tackling many environmental problems. However, it was also recognized that our knowledge of economic instruments is as yet quite rudimentary and much work needs to be done to perfect these tools. In 1992 the federal government released a discussion paper entitled *Economic Instruments for Environmental Protection*. Some witnesses and one Committee member, however, expressed impatience with the slow pace of the federal government's efforts to build upon this document and design an effective economic instruments package.

Recommendation No. 20

The Committee recommends that the Government of Canada, in cooperation with all stakeholders (industry, environmental groups, provincial, territorial and municipal governments) (i) accelerate its program to develop an effective package of economic instruments with which to combat greenhouse gas emissions, (ii) test these concepts in localized pilot projects, and (iii) share Canadian expertise on a global basis through the United Nations Commission on Sustainable Development.

Where should Canada invest its funds to get the greatest return in terms of energy savings and reduction in greenhouse gas emissions? Although a seemingly simple consideration, this question raises both practical and ethical issues. Should Canada concentrate on putting its own

87 Ibid., Issue No. 48, 30 November 1992, p. 23-24.

88 Ibid., p. 16.