

5.18 The Committee is not in a position to evaluate the implications of these and other regional contrasts for emissions reductions policy. We suspect indeed that many Canadians are unaware that the contrasts are as great as they are. We note that “due recognition [of] the importance of *regional differences*” is one of four basic principles underlying the National Action Strategy on Global Warming,¹¹ but it is not clear to us how this is reflected in the strategy itself. The Committee **recommends** that a study of the regional implications of proposed greenhouse gas limitation measures be included as a vital part of the National Action Strategy on Global Warming. This does not, of course, mean that we recommend preservation of the status quo: quite the opposite. It is evident, however, that some measures may be vital in one part of the country and irrelevant in another. What is economically attractive may also have significant social costs in certain parts of the country, and these costs need to be known.

D. CARBON TAXES, TRADEABLE EMISSION PERMITS, AND OTHER REGULATORY MECHANISMS

5.19 Perhaps understandably, the evidence we heard on the subject of carbon taxes as a means of reducing fossil-fuel emissions seemed more reactive, “knee-jerk”, than informed. Several environmental organizations expressed themselves in favour; most larger users of fossil fuel, such as TransAlta, were anxious to avoid the imposition of such taxes. The organizations responsible for producing the *Greenprint for Canada*, for example, agreed on a recommendation

That by 1991 the government introduce a national carbon tax on fossil fuels to raise up to \$40 billion over 15 years to fund a national energy conservation program to reforest two million acres of NSR lands and to complete the national parks system.¹²

5.20 We also heard two witnesses who, while endeavouring to be less dogmatic on whether or not a carbon tax would be good or bad, nevertheless doubted that it would have the desired effect. First, the witness from the Department of Finance:

We are somewhat sceptical about the use of the tax system. The history of using the tax system on the incentive side is that it has not always been very effective, and if you look at it in terms of creating penalties, you want to choose very carefully where you put your penalties...

Let me give you an example of the sort of thing I am talking about. The IEA [International Energy Association] did a study recently of a hypothetical carbon tax. It is just a first cut, ...but at a carbon tax equivalent to \$8 a barrel of oil, which is a fairly significant rise, they found we would reduce the growth in emissions in the OECD countries to the year 2005 only from 25% to 13%, so you do not get a great response to that particular message going through the price system...

Let us assume there was an objective of reducing CO₂ emissions. The question is, how do you go about it? The regional implications of trying to dramatically change our energy consumption will be the same, whether you do it through taxation or regulation or any other method....[I]t is not obvious that the tax system is the best way to do it.¹³

5.21 A rather similar view had been expressed earlier by an independent consultant, Mr. Ralph Torrie.