

**The Joint-Chairman:** Thank you very much, Mr. Runnalls.

**Mr. Johnson:** I have heard in two sessions about the subsidy for the fossil fuel industry in Canada and the fact that it is not defined. Let me just say that my perception, having come out of that industry, is that there is very little subsidy there. There are programs every once in a while that feed money back in, but there is an enormous amount of royalty and tax that comes out of that industry. I am wondering if there is something I am misunderstanding here about this major subsidy to the fossil fuel industry that you could enlighten me on as to just what is the source or what are the characteristics of that subsidy.

**Mr. Runnalls:** I think one of the jobs we need to do at a very early stage, if we are going to do anything about sustainable development in this country, is to begin to look at a whole series of sectors and at the fiscal context within which they operate. I am not particularly criticizing either the fossil fuel industry or the forestry industry because they in fact have particular kinds of tax treatments.

**Mr. Johnson:** I am just trying to understand what you perceive is the major source of this tax subsidy, because I perceive that it is an industry that is paying and contributing major sources of tax.

**Mr. Runnalls:** It comes back to the old question of whether or not one is going to try to move in the near future to something that resembles the polluter pays principle. If in fact the costs of global warming and air pollution are as Dr. Bates and others have outlined here, then it would seem to me to argue that both the industry and energy consumers particularly need to bear higher costs to begin to pay the true costs of utilization of particular kinds of fuels. In a sense, to the extent that we are actually giving a free ride to large parts of the energy industry when it comes to air pollution, for instance, we are in fact subsidizing certain kinds of air pollution because the energy industry and the energy consumers are not paying the full costs of the utilization of that energy source, and therein lies a very substantial hidden subsidy.

**Mr. Johnson:** Thank you.

**Mr. Caccia:** Perhaps Mr. Runnalls, whose statement was extremely helpful, might want to comment on the following. The lesson of this day and a half, it seems to me, is one that in future the political and parliamentary focus should be expanded to examine global change and not just global climate change, as the title of this event is. If we stick only to climate change, we leave out some very important issues. We would leave out, as was raised by some of the speakers yesterday, population, top soil, which was partially touched upon last night; toxic contamination, species disappearance, mismanagement of natural resources, mismanagement of waste, international security, which we and others have touched, and the entire north-south debate.

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My tendency would therefore be that we would be better served, in order to spur and activate this government and other governments who have been very strong with rhetoric