Subnational vs national climate policy: the case of Canada

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Canadian federalism: drivers of decentralization

Canada created as federation in 1867. Decentralization essential:

- different cultures, especially francophone Quebec
- regionally different economies – manufacturing-east, resource-west
- long distances between large cities, especially east-west
- preference for decentralized health care, education, social policy, with federal gov setting national standards & funding equalization
- provinces as innovators in social, economic & environmental policy, which may be copied by other provinces and/or fed gov

Canadian federalism: key factors affecting climate policy

Canadian constitution: national vs subnational powers

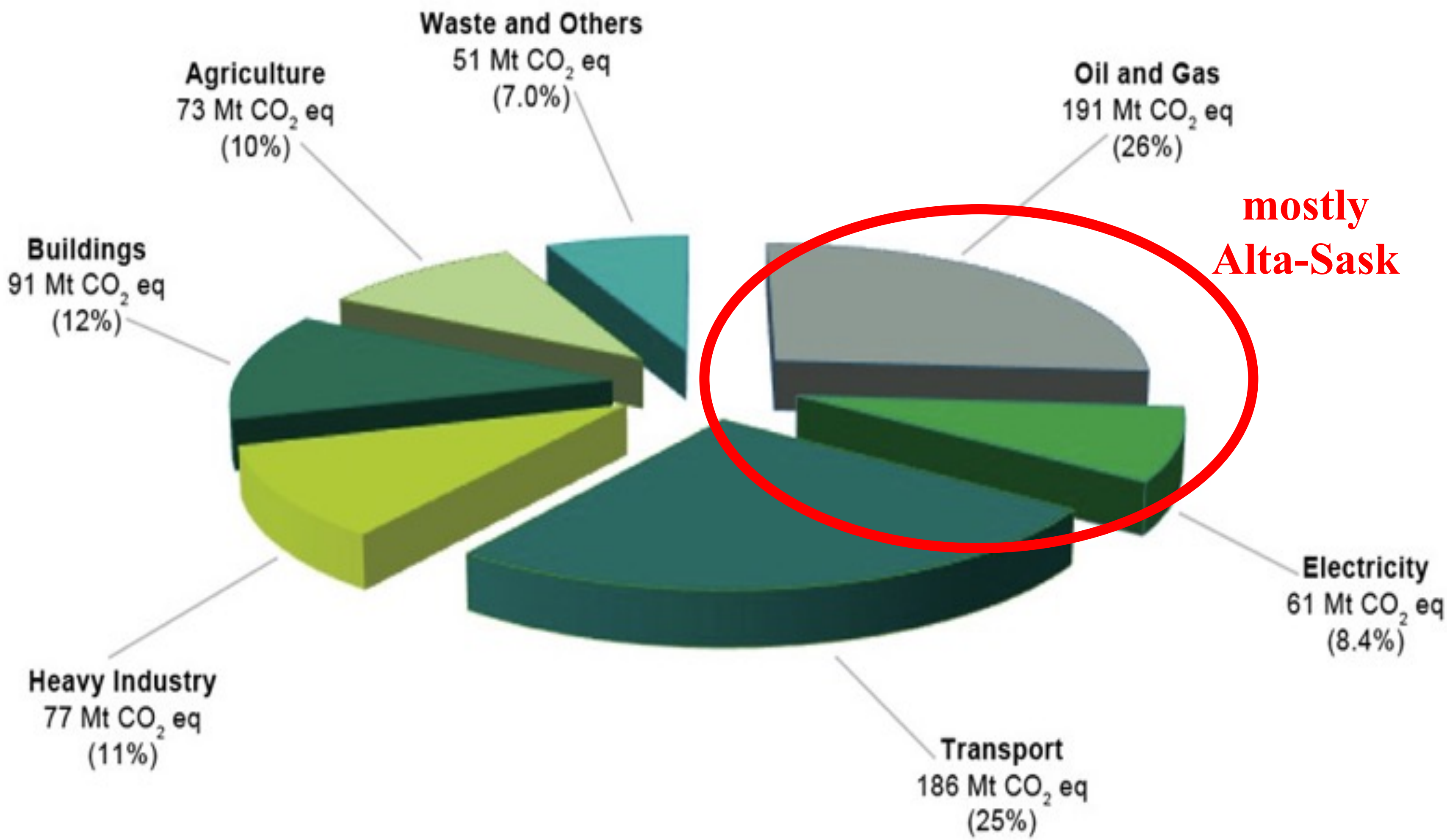
- federal power to ensure compliance with international agreements
- shared federal and provincial power over environment
- exclusive provincial power over energy

Regionally divergent energy resources / electricity systems:

- FF resources mostly in west, especially Alberta and Saskatchewan
- provincial gov ownership of most electricity systems
- hydropower-rich provinces interspersed with FF-thermal provinces
- north-south grid interties (to US) exceed east-west interties


Arctic Ocean
GREENLAND
(DENMARK)
ICELAND
ALASKA
(US)
Yukon
Whitehorse
Northwest
Territories
Yellowknife
Nunavut
Iqaluit
Labrador Sea
CANADA
fossil fuel rich
British
Columbia
Alberta
Edmonton
Saskatchewan
Calgary
Saskatoon
15% of pop
Regina
Vancouver
Victoria
Manitoba
Winnipeg
Hudson Bay
New Foundland
and Labrador
St. John's
Quebec
Pr. Edward I.
Charlottetown
Fredericton
Halifax
Nova Scotia
New
Brunswick
Manufacture
Ontario
Québec
Montréal
Ottawa
Thunder Bay
65% of pop
Toronto
Hamilton
Windsor
Atlantic Ocean
UNITED STATES
WWW.FREEWORLDMAPS.NET

Canada's GHG emissions by sector (2019)



Total: 730 Mt CO_2 eq

EMRG

Phases of national and sub-national climate policy in Canada

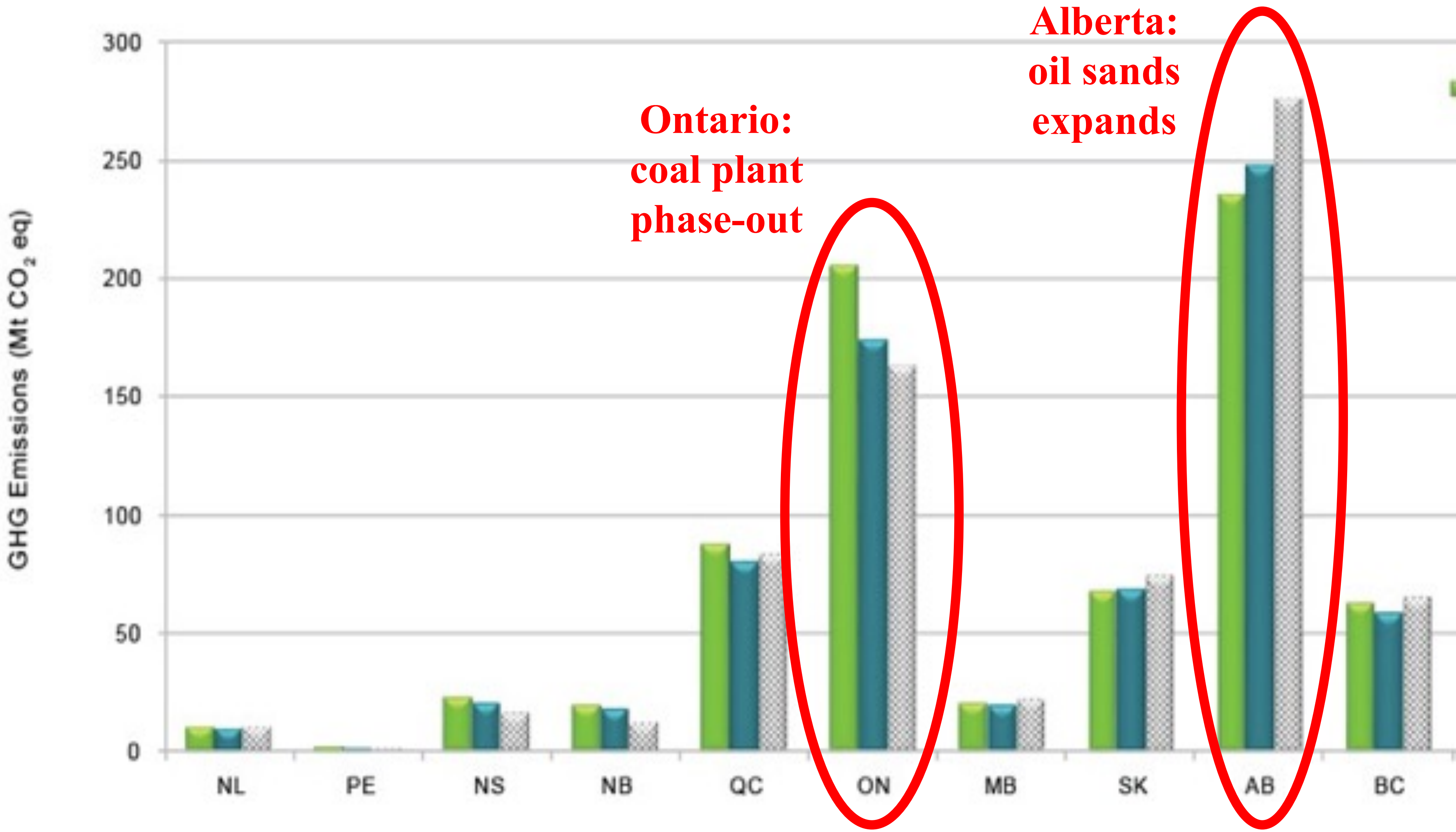
1990-2006 Fed gov ”climate-interested” but unwilling to challenge powers of reluctant / hostile prov govs = ineffective Canadian climate policies

2006-2015 Fed gov “FF promoting” / “climate-insincere”; key prov gov policies become “de facto” Canadian climate effort

- British Columbia carbon tax and clean electricity standard (2008)
- Ontario phase-out (25% of elec) of coal-fired power (2004-2014)
- Quebec joins California economy-wide cap-and-trade (2013)

2015-2021 Fed gov “climate-sincere” leading to intensification of fed-prov jurisdictional struggle. Supreme Court carbon tax decision (2021) confirms federal authority to enact national climate policies.

Canada's GHG emissions by province (2005, 2010, 2019)



Key mechanisms for coordinated Canadian climate policy

Federal legislation must target pollution not energy.

- Canadian Environmental Protection Act (ex. CO_2/kWh)
- Greenhouse Gas Pollution Pricing Act (ex. \$/tCO_2)

Key federal policies:

- national carbon tax - revenue-neutral by province (\$170/tCO_2 by 2030)
- carbon tax variant for EITEs - output-based pricing system
- clean electricity standard (no coal plants by 2030)
- clean fuel standard plus biofuel blending mandates
- other policies imminent (ZEV, methane, oil&gas cap, etc)

Federal policy is “backstop”, allows fed-prov “equivalency agreements” (BC carbon tax, Alberta industry pricing, Quebec cap-and-trade)

Summary lessons from Canada for sub-national vs national climate policy

Individual provinces can achieve ambitious GHG targets & show national leadership when fed gov is climate-insincere – which other provs copy.

This can sometimes undermine policy effectiveness & even raise cost, but we shouldn't expect textbook econ effic with split climate jurisdiction.

Because FF-rich provinces unlikely to support national zero-emission, mandatory federal backstop policy is essential.

If federal government is climate-sincere, its climate policies must:

- focus on GHG pollution, not energy
- implement backstops & be willing to negotiate provincial equivalencies
- provide transitional help to FF-rich and lower income provinces (transfers, tech support, temporarily reduced policy stringency)

Thank you

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