

A conversation with Jim Prentice

As part of our special issue on water, Environment Minister Jim Prentice sat down for an interview with *Policy Options* Editor L. Ian MacDonald. Their half-hour conversation also touched on climate change and how to reduce emissions in Canada, North America and worldwide, all in the run-up to December's COP15, the UN Climate Change Conference in Copenhagen.

Dans le cadre de notre numéro spécial sur l'eau, le ministre fédéral de l'Environnement Jim Prentice s'est entretenu avec le rédacteur en chef d'*Options politiques* L. Ian MacDonald. Leur conversation d'une demi-heure a aussi porté sur les changements climatiques et les moyens de réduire les émissions de GES au Canada, en Amérique du Nord et dans le monde, le tout en prévision de la conférence COP 15 de décembre prochain à Copenhague.

POLICY OPTIONS: Mr. Prentice, thanks for doing this. In our new Nanos Research poll for *Policy Options*, 62 percent of Canadians identified fresh water as the country's most important natural resource, by a margin of three to one over oil and gas. And by a margin of three to one, they also thought that it was a resource that Ottawa was responsible for managing, rather than the provinces. But half of the population thought it was a joint management issue. So what are your comments on the importance of water, because this is a special issue of the magazine on that topic.

JIM PRENTICE: Well, those results actually do not surprise me, because I've long felt and said that Canadians are quite passionate about the environment and the outdoors in a very real way. What that relates to is our lakes and rivers and streams, and the ocean as well. So it doesn't surprise me that Canadians have given it that degree of importance. People understand that in the modern environmental context, all of our rivers and water streams are connected, and so it is not surprising that people, being shrewd as they are, would see that it requires federal jurisdiction, and the very minimum, as a concurrent jurisdiction. And so we certainly see the same thing in other polling that I've ever seen relative to

the environment. And what Canadians expect from the government right now is that our environmental policies include, in addition to climate change, policies that have tangible effects on water and the quality of the water around us.

PO: In his most recent audit the Environment Commissioner found that there was little progress made on the action plan for clean water. Your thoughts on that?

JIM PRENTICE: Well, as I said, I don't agree with what he has said and, in particular, there's one very significant initiative that is under way, and that is national regulatory standards for waste-water discharge. And to me this has always been one of the most pressing issues for our country. I used to be puzzled before I came into politics why in the year 2000 Canada was still discharging raw sewage into our lakes and rivers and oceans. So I've been quite resolved to do something about that. This year the environment ministers — federal and provincial — reached an agreement, not unanimously I would point out, but most of the provinces are onside to proceed with regulatory standards for waste-water discharge from municipal facilities. So those regulations are being developed now. We've announced that effective the end of this year, Canada will have a

regime for waste-water discharge, and we will begin enforcing those regulations. This to me is a quantum step forward for our country and I think it's something Canadians expect — they are appalled to see that we allow sort of unfettered discharge into our water.

PO: What about conservation and renewal of infrastructure? Water didn't really play a part in the January budget, it doesn't really figure in the infrastructure funding.

JIM PRENTICE: Well, drinking water projects and waste-water projects are fully eligible under the Building Canada Fund. And so what we have been trying to do is push on this — at least push on the provinces to say, You know, there's a historic quantum of money that's been set aside to be invested in our water systems. And it's interesting — if you look across the country, there are some provinces that are further ahead than others. In particular, we need to make some significant progress in Atlantic Canada and Quebec with investment in our water systems.

PO: And to come back to this question, what about a coordinated effort by the federal, provincial and municipal levels of government that the public is looking for? Do you feel you're making any progress in there?

JIM PRENTICE: Certainly we've made progress there in terms of waste

water because essentially all of the provinces, with the exception of Newfoundland and Labrador, have embraced the new regulatory approach that we're going to have to waste-water discharge. We still have some very large issues. There's still a very large question in Victoria, the extent to which the city of Victoria will continue to discharge its sewage into the Straits of Juan de

of the Environmental Protection Agency in the United States, about the importance of the Great Lakes, and we are working together in that context. That's the origin, of course, of the International Joint Commission, which is observing its 100th anniversary. We're resolved to work together with the Americans to take it right into the next generation.

We are a people who live at our cottages and hike in our provincial parks and spend time in tents and canoes in the summer and ice-fish in the winter. We are close to the environment. I think that personally, it's actually a critical aspect of who we are as a country and that's why we're passionate about these issues.

Fuca. That's an issue not only in Canada, it's also an issue with our American neighbours, and it is one of the most pressing and contentious situations in the country. We're of the view that we require standards that prevent the discharge of that kind of untreated sewage into the straits.

PO: There's this thing that so many Canadians identify water as our most important natural resource; I suppose it's partly because we're a cottage-country country.

JIM PRENTICE: That's right, it's because we are people of the land; I say this wherever I go.

We are a people who live at our cottages and hike in our provincial parks and spend time in tents and canoes in the summer and ice-fish in the winter. We are close to the environment. I think that personally, it's actually a critical aspect of who we are as a country and that's why we're passionate about these issues.

PO: And it's connected to sovereignty too, isn't it?

JIM PRENTICE: Water is certainly connected to sovereignty, and of course that's a commitment that the government gave in the last election: we will not allow transfers of water outside of our country. And I should say as well we're also working very closely with the Americans; I've had discussions with Lisa Jackson, the head

PO: You know the famous story where water was left out of the Free Trade Agreement [FTA]. People thought it was included in the FTA because Simon Reisman was our negotiator and he had previously represented the Grand Canal project, so there were lines in all of Mr. Mulroney's speeches at the time that the only water in the FTA was bottled. On another level, Victor Lichtinger, who was once the head of the NAFTA Environment Commission in Montreal — he was Mexican — once said to me, "You know you have 27 percent of the world's water supply. What makes you think the world will allow you to keep it all?"

JIM PRENTICE: We are a sovereign country and we'll protect our resources.

PO: Other than sovereignty, how does water inform our sense of country?

JIM PRENTICE: It's interesting what you say about that — I read somewhere that for all of us, from our first camping trip with our fathers, it is something that's embedded in our minds, and so on. Certainly it is in my case; I can remember that, and so I test it against my own children and I field-test it.

PO: My daughter, who is nearly 19, still talks about canoeing and fishing with me when she was five.

JIM PRENTICE: Absolutely. It's amazing how it's imprinted in us.

PO: Turning to climate change and emissions reductions. You noted in your recent speech at the Economic Club that transportation accounts for about 25 percent of greenhouse gas emissions and that autos and light vehicles account for about half of that. So what are we doing about that and how are we going to have corporate average fuel efficiency (CAFE) standards that are the same in both countries, if we have different rules and regulations, say, for California and Alberta?

JIM PRENTICE: Just to put this into context, what the government's currently engaged in is the finalization of our full suite of domestic policies for all sources of greenhouse gas emissions. And that'll happen, according to our international commitment, by the time we go to Copenhagen in December. The same commitments that the Australians have given and the Americans have given. So the first aspect that we finalized, about three months ago, was the announcement that Canada would henceforth have tail-pipe emission standards and they would come into law effective January 1, 2011, for that particular model year. And so we're in the gazetting process at this point, developing the detailed regulations in consultation with industry and stakeholders. And the policy imperative, if you will, from our perspective as a government, has been to harmonize with the dominant North American standard.

And so we made that choice more than a year ago and we have, since that time, been working toward a dominant North American standard. The reason we've done that is that will serve the interests of both Canadian consumers and the Canadian automotive industry, which is integrated across the border.

PO: You've also been industry minister. I wonder where you see the opportunity for developing new environmental technologies, because this has been a mantra for decades now at Environment Canada.

JIM PRENTICE: Across the board? Absolutely. You're right, I was the industry minister and I formulated a view at that time about the importance of dominant North American standards, because there's only one auto industry. In terms of vehicle efficiencies, I think it's useful to come back to the Clean Energy Dialogue

Offset credits are essentially the basis of the carbon market, and so essentially industries that are subject to regulations requiring them to reduce their emissions can either achieve an initial reduction or they can buy a credit, which is certified by the government because someone else has reduced their emissions.

that President Obama and Prime Minister Harper agreed on. The President made his first international trip here. Three working groups were set up under the Clean Energy Dialogue, and the first of those deals with clean engine technologies and research. So on a scale that has never actually been achieved previously, we will be working together with the United States on these working groups, and one of them is very specifically focused on new technologies.

PO: You were at that working lunch with the Prime Minister and the President, and apparently there was quite an animated discussion just on reducing thermal consumption in the US, possibly by Canada developing its horizontal east-west hydro capacity for north-south export.

JIM PRENTICE: Well, I have felt strongly about this since becoming the environment minister, and everywhere I travel in North America, I speak about the potential for Canada, with capacity to bring onstream as much as 25,000 megawatts of new hydroelectricity over the next 25 years.

PO: That's two-thirds of the capacity of Hydro-Québec today, which is the largest hydro utility in the world.

JIM PRENTICE: It's an enormous potential and it will contribute significantly to the greening of the North American electricity system, which is a North American imperative. I should

say parenthetically Canada has one of the cleanest electricity systems in the world. Seventy-three percent of our electricity system is non-emitting. But in the United States it is the converse. In the United States, their system is heavily based on thermal coal. So much carbon in the atmosphere today came from burning coal. And it's imperative

for us as developed countries to find alternatives. Canada's in good shape, but our real contribution can be to get to the standard we've set as a country: 90 percent non-emitting by 2020. And to introduce this new hydro into the Canadian and American marketplace.

PO: Right. On carbon markets, you've spoken — in your Economic Club address of June 10th and elsewhere — about offset credits. What are offset credits?

JIM PRENTICE: Offset credits are essentially the basis of the carbon market, and so essentially industries that are subject to regulations requiring them to reduce their emissions can either achieve an initial reduction or they can buy a credit, which is certified by the government because someone else has reduced their emissions. And so these credits will be bought and sold in the marketplace. We have, in particular in Montreal, a carbon exchange that will be a platform for the vending and purchasing of such credits.

PO: So it's a commodities market, in effect.

JIM PRENTICE: It is essentially a commodities market for carbon offsets, or what are called carbon credits. And they will buy and sell at a market price determined by the market. And so we're anxious to avoid the errors that occurred in Europe with the creation of their carbon market. And so on June 10th, I released all of the

details surrounding how these credits will be evaluated, certified and verified in Canada. And our objective has not been less than to have the gold standard for offset credits. So that if you buy a Canadian credit, whether it's trading on the Canadian market, the continental market or the international market, that is the real thing.

PO: You said in that speech that you "wanted to establish a price on carbon" and that "credits purchased represent real and verified deductions." So are we going to have carbon inspectors? I mean, how are we going to enforce this?

JIM PRENTICE: That's the process essentially of verification and, as I say, we want to have the gold standard for carbon credits, so each credit will represent a tonne of reduction in emissions and they'll be subject to verification. There'll be a process by which the government works together with private sector service agencies to verify that these are real credits representing real reductions. Canada will have a very high standard to make sure that we don't have hot air credits or questionable credits. That's essential.

PO: Let's look at your climate change plan; maybe you could walk us through it in a few minutes. First of all, on emissions reductions targets, reducing them 20 percent below 2006 levels by 2020 and between 60 and 70 percent below those levels by 2050. You said in that Economic Club speech that there were three components in your plan: domestic — obviously Ottawa and the federal government with the provinces; continental, with the United States; and international, obviously pointing to the COP15 Conference in Copenhagen in December. So point by point.

JIM PRENTICE: Well, the best way to understand this, and you've correctly set it out, is that we are proceeding on three parallel tracks. First, our domestic plan and policies, second, an eye on the continental requirements, and third, an international approach.



Policy Options photo

Environment Minister Jim Prentice and L. Ian MacDonald, Editor of *Policy Options*, in conversation on Parliament Hill on June 10.

So domestically, we have said that by the time we arrive in Copenhagen in December 2009, we will table the full suite of Canadian policies as they relate to all sorts of GHG emissions. This is the same commitment the Australians and the Americans and other countries have given. In a sense, what we are doing is ensuring that when we go to Copenhagen, we don't pull a Canadian target out of the air, because that's been done previously and it was not a positive experience for our country in terms of Kyoto.

PO: You mean when Mr. Chrétien signed on originally?

JIM PRENTICE: Correct. The targets were unachievable and very little diligence went into the selection of those targets. So our targets will represent the aggregate of all of the things that we

know we can do, because we've evaluated the policies. And so what's happening internationally, I'd say right now, is there's a pragmatism. Not just on Canada's part, but on the part of all countries, because Kyoto has not been a positive experience for many countries. And so the aggregate of all the work we do will be what we put on the table at Copenhagen; in other words, what's possible. So we finalized firstly the tailpipe emission standards for passenger vehicles like trucks. We rolled out the offset system on June 10. Between now and November we'll be following with the specific approach for the electricity sector, followed by the trade-exposed industrial sectors. All of this will be laid out in detail, so that industry has the requisite certainty to make their decisions and their choices.

Domestically, carrying on in 2010, after Copenhagen, we'll get into the detailed development of the regulations, the gazetting and the public consultation. These are extremely detailed regulations, so they'll be developed under the *Canadian Environmental Protection Act*, with all of their detail, in 2010.

The start date, then, is January 1, 2011, but the application of those regulations will be done on a sector-by-sector basis. And we will be mindful in that context in the trade-exposed industries of what is going on with our trading partners, especially the United States. But the policy is what we define domestically, and that will represent Canada's policy objectives. They'll reflect our perspective as a country on what is of national importance in Canada, and we'll be mindful of the

United States, but our plans will not necessarily be the same.

PO: These things don't happen overnight, of course. There's a standard of excellence here in terms of bilateral Canada-US relations — the Acid Rain Accord, for example. And it took Mr. Mulroney seven years and two presidents to get it from the time he first started talking about it: from 1984 when he took office to 1991 when he finally signed the Acid Rain Accord with the first President George

We've been outspoken as a country, not in a disparaging way, about Kyoto; we simply said that we have to have a more effective protocol. And that means that it has to apply to all major emitters.

Bush. So do you see this happening on your watch?

JIM PRENTICE: Well, I see us defining the framework. I'm under no illusions about how complex this is. And continentally, in particular, we're working very closely with the Obama administration. I spent a lot of time with their climate change negotiator, Todd Stern. In the major economics forum, I sit at the table for all of those meetings. We've spent a lot of time with Lisa Jackson, the head of the EPA, Carol Browner, the President's adviser on climate change and energy security, and others, including congressional leaders. So it's coming together, but it is complex. And you know, I would point out that the Waxman-Markey Bill — I read in the *Washington Post* — is considered by many to be the most complex legislation that has ever been introduced into the House in the United States. The Bill is 1,000 pages long. It has over 100 amendments. There are eight subcommittees that have jurisdiction over its contents. And it's been winding its way through the US system for months now. This is very complicated stuff, very heavy going. And there's a need to pay a lot of attention to detail, or we will damage our industrial competitiveness, with no offsetting benefits to the environment.

PO: Two final questions: First, you have said in that Economic Club speech, that it's time to turn the page on the Kyoto Protocol and look beyond 2012. In effect, that, not to put words in your mouth, Kyoto is a dead letter.

JIM PRENTICE: Well, you know I think it's important to be realistic about Kyoto; the Kyoto Protocol was an important place to begin. But it has not fulfilled its promise. And it hasn't fulfilled its promise because it

doesn't apply to the major carbon emitters: China and India and the United States. And so here we have an international protocol designed to reduce carbon emissions, but it doesn't really apply to the people who emit carbon.

PO: Fifty percent of the world's carbon...

JIM PRENTICE: And so this has been a failure. So we've been outspoken as a country, not in a disparaging way, about Kyoto; we simply said that we have to have a more effective protocol. And that means that it has to apply to all major emitters. There is to be sure a lot of discussion at the table about what that means, and what the term "binding" means, and how developing countries can be brought into the agreement with more fulsome objectives and targets. Perhaps a different category of targets for developed countries, but that's really what's taking place at the major congress forum at the table right now.

PO: And finally, here you are, an Alberta cabinet minister, and Alberta is home to the oil sands. So how do you reconcile oil production with environmental imperatives?

JIM PRENTICE: Well, I feel quite strongly about this. I was raised as a young lad in mining towns across Canada and I've seen the interplay between industry and the environ-

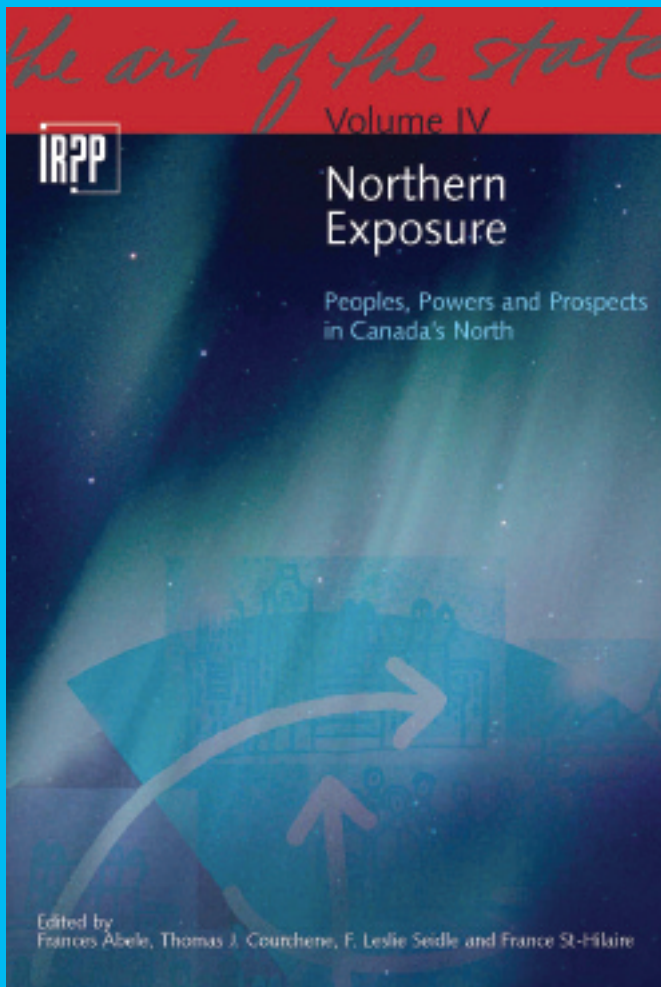
ment. And I'm proud of what our country is able to do. I don't see the environment and the economy as an either/or proposition. I think it's important to have balance. And I take pride in saying that we, as Canadians, have always struck the right balance, and we have the capacity to deal with the oil sands as we deal with other mining operations and other hydrocarbon operations, and frankly, renewable resources like hydro, in an environmentally responsible way. I

say this about the oil sands: our objective as a country should be to ensure that our industries, including the oil sands, have the highest environmental standards in the world, with the highest quality of environmental due diligence going into the evaluation of projects and the environmental processes that apply to the approval process. We should be vigilant; we should be able to go on the international stage and say, "Hydrocarbons produced in Canada, or renewable energy coming from Canada, has been achieved in a way that is of the highest environmental standard."

PO: And you're from Northern Ontario, so you're familiar with the famous Inco smokestack in Sudbury, which was responsible for so many of the sulphur dioxide emissions that were a big part of the acid rain issue. And they commercialized the sulphur dioxide and turned it into a profit!

JIM PRENTICE: Absolutely. And the reason I feel strongly about this is that I was raised in those mining towns, so I've seen what happens if you don't strike the right balance, if you don't protect the environment. And no one's suggesting we should do that at the expense of our prosperity or our economic progress. You need that progress to achieve environmental outcomes. But all in all, we need rigorous standards and we need to ensure that we're not leaving to our children some of what was left to my generation from years and years ago, when we didn't have environmental standards.

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