BUSINESS COUNCIL OF ALBERTA

New federal climate plan improves Clean Fuel Standard and emissions reduction investment, raises competitiveness concerns with carbon tax

The federal government's new climate plan, *A Healthy Environment and a Healthy Econom*y, released today gives greater detail on Canada's policy approach in tackling emissions reduction and climate change. Alberta businesses support action on climate change, while promoting economic growth and a healthy resources sector. Today's announcement contained a mixed bag of positives, concerns, and items needing further detail.

On the Clean Fuel Standard (CFS), the measures announced today were positive, addressing many of the biggest concerns raised by the Business Council of Alberta and industry on the disproportionately damaging effect the regulation would have had on Alberta. Notably, the scope of the CFS has been narrowed to remove the gaseous and solid fuels component and will only apply to liquid fuels. We will also look for the carbon credit framework to be expanded to incentivize more innovation and investment.

Enhanced funding for emissions reducing technology and innovation is welcome, and industry will look to be a partner in this work to drive down emissions. Maximizing impact will require a broad investment approach for all actions that will reduce Canadian and global emissions without prejudice for any activity or industry.

According to the plan, over the next decade, the price on carbon will escalate to $170 per tonne. Of all methods to incent emissions reduction, carbon pricing is perhaps the most transparent. It allows the market to decide the best solutions. Business can plan for it, and it is easy is to communicate to the rest of the world when marketing our products. In that sense, the approach is superior to a cumbersome or convoluted regulatory mechanism. However, a $170/tonne price is steep and could have significant negative impacts on Alberta businesses.

For Alberta businesses, what will be key is to ensure that Canada's carbon pricing policy does not hinder our global competitiveness. Canada's exports could be made fundamentally uncompetitive if they are subjected to an extreme carbon price, while competing against exports from countries with little carbon price, or none at all. There are some protections for energy intensive, trade-exposed industries, but not for the energy sector itself. The federal government will be updating its output-based pricing system in 2021. We need to make sure that these concerns are reflected whether through exemptions or border carbon adjustments.

References to additional support for hydrogen, small modular nuclear, and carbon capture utilization and storage are all exciting for the future of Canadian energy, and we look forward to engaging on the details of these policies.