

Striking a Balance Between a Healthy Economy and Low Carbon Emissions (2023)

Issue

Government needs to strike a balance between achieving its emission reduction goals and preserving the competitiveness of the economy using pragmatic, flexible and innovative solutions.

Background

We recognize that Alberta's emissions are challenging to reduce for three primary reasons. First, our population and economic growth rates, as well as our incomes, have grown faster than other provinces,²⁰⁰ and emissions are found to positively correlate with economic growth.²⁰¹ Second, our large, anchor industries are emissions-intensive and consist of long-lived assets (oil sands plants, gas plants, chemical production, refineries, etc.) which can improve performance over time, but not as rapidly as other sectors with shorter asset lives.²⁰² According to Canada's Ecofiscal Commission, 18% of Alberta's economy would qualify, under internationally recognized standards, as being both emissions-intensive and trade-exposed (compared to 2% in B.C. and Ontario and 1% in Quebec).²⁰³ Finally, the choice of fuels for electricity generation drives emissions.

The Technology Innovation and Emissions Reduction (TIER) program replaced the Carbon Competitiveness Incentive Regulation (CCIR) for large industrial emitters on January 1, 2020 and was updated following consultations in December of 2022.²⁰⁴

Since Alberta's economy is particularly sensitive, there is concern that unduly aggressive actions taken to reduce emissions in Alberta may not lead to real emissions reductions. Instead, investment may shift to other jurisdictions without stringent GHG policies, negatively affecting Alberta's economy and not ultimately impacting global greenhouse gas emissions due to carbon leakage. Ensuring that our economy and small businesses remain vibrant and competitive is imperative as small businesses make up 87% of all businesses in the province.²⁰⁵ Government needs to strike a balance between achieving its emissions goals and preserving the competitiveness of a critical part of the economy.

²⁰⁰ Frew, N. (2022). Growth rate slows, but Alberta population still up nearly 200,000 over 2016: census. CBC News. <https://www.cbc.ca/news/canada/edmonton/alberta-population-dwelling-2021-census-1.6344858>

²⁰¹ Onofrei M., Vatamanu A.F., and Cigu E. (2022). The Relationship Between Economic Growth and CO2 Emissions in EU Countries: A Cointegration Analysis. *Frontiers in Environmental Science*. doi: 10.3389/fenvs.2022.934885

²⁰² Climate Leadership Report to the Minister: <https://open.alberta.ca/dataset/212a6266-b8d3-4822-b208-9221da2a0966/resource/9f52cd8e-5477-45a6-a337-f2d64d091cf9/download/2015-climate-leadership-report-to-minister.pdf>

²⁰³ <https://ecofiscal.ca/reports/provincial-carbon-pricing-competitiveness-pressures>

²⁰⁴ APPENDIX: Emissions Management and Climate Resilience Act. Technology Innovation and Emissions Reduction Amendment Regulation. https://kings-printer.alberta.ca/documents/Orders/Orders_in_Council/2022/2022_403.html

²⁰⁵ Holden, M. (2022). Jobs and job growth in Alberta by business size. Business Council of Alberta. <https://businesscouncilab.com/work/jobs-and-job-growth-in-alberta-by-business-size/#:~:text=It%20is%20well%20Destablished%20that,are%20almost%20identical%20nation%20wide.>

There are many businesses, industries and municipalities that are looking to reduce their carbon footprint by converting to natural gas as an alternate energy source. While still a source of GHG emissions, in comparison with other fuel sources natural gas is less carbon intensive, relatively clean-burning, abundant, safe, reliable and efficient. Burning natural gas gives off much fewer toxic emissions than coal or oil and for the same amount of energy produced; gas emits 30% less carbon dioxide when burned than oil, and as much as 45% less than coal.²⁰⁶ Despite this known benefit, natural gas still has significant carbon pricing applied.

An additional consideration should be measuring the total net contribution of GHG and rewarding those companies and industries who aim to mitigate their output. For example, the greenhouse industry, while consuming large amounts of natural gas, also grows plants that absorb carbon dioxide from the atmosphere. Compound the carbon absorption with innovations like green carbon capture and the environmental impact in the form of GHG is very low. Taking the final net carbon footprint as a benchmark will serve the dual purpose of keeping industries competitive and innovative while also promoting tangible and measurable emissions reductions.

Furthermore, consideration of organizations that aim to have a positive environmental impact by taking specific action to clean the environment. An example of which could be a reclamation company or a hydrovac company. Both examples would have to pay the carbon tax, however neither would get additional credits for the clean-up work they do.

Earmarking a portion of the funds collected through the TIER program to create educational tools that highlight the high ethical, environmental, and sustainable standards of the natural resource sector in Alberta will lay the groundwork for the education of Albertans. The goal of any climate policy is to change behavior and drive businesses and consumers to make choices that support low or zero carbon products. The provincial government must allow for the most effective way to encourage these new patterns of behaviour. Government should continue to provide incentives through tax credits to emerging alternative energy innovations which may provide wider spread and supportable long-term cooperation towards a low carbon economy.

Incentives enable businesses to mitigate the threat of climate change with a focus on new emerging industries and opportunities to innovate. Climate change can offer an opportunity to harness Alberta's expertise and availability of technical workers and concentrate on emerging prospects such as artificial intelligence (AI) and cleantech. The expected economic gain of over \$1 trillion dollars, Canada wide, in climate change innovation should be headquartered in Alberta as part of modernization, growth, and expansion to ensure that Alberta is ahead of the curve.

Flexibility to allow businesses to use innovative market driven solutions to fill the gaps between conventional and renewable forms of energy must be encouraged. Offering equal tax incentives between emerging technologies and those alternative energy sources already established, like solar and wind, will ensure that the government is not dictating "winners and losers". Alternatives and solutions must be driven by consumers and businesses and not dictated by government to ensure the best overall result. For example, the UK offers an accelerated depreciation allowance for energy efficiency equipment and technology, so that companies can replace old, energy consuming equipment with better models, which allows them to cut their operational costs.

The balance between preserving the economy while converting to low carbon emissions requires policies that are effective while also politically palatable. If policies and programs are applied ineffectively or seem to be incomplete and unduly punitive their chances of being successful and leading the charge to change behaviour will be unsustainable. There are numerous opportunities

²⁰⁶ <http://naturalgas.org/environment/naturalgas/>

available that Alberta must seize in order to demonstrate its adaptability, resiliency and reinforce its long-held tradition of being pioneers in spirit and action. Capitalizing on the opportunities that arise from adapting to a low emissions economy is a path to economic sustainability which Alberta is uniquely positioned to undertake.

Climate change is not possible in a single political cycle and needs buy in from society and government as a whole. Any policy implemented needs to be meaningful, pragmatic, sensible and flexible in order to achieve the final goal of emissions reductions and environmental preservation.

Additionally, when measuring the success of any climate change effort all costs (direct and indirect) need to be considered so that the real impact on business and the economy can be assessed and policy adjusted to strike the balance between a healthy economy and reduction of emissions.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Ensure carbon policies maintain competitiveness with like jurisdictions in Canada and the United States that have similar investment interests.
2. Communicate the goals and the timelines of climate policies and amendments or modification plans if the goals and timelines are not met.
3. Ensure there is cost neutrality within the business sector and that revenue from carbon pricing is available and cycled back to the business community through other tax incentives and capital cost allowances.
4. Provide pathways for market driven solutions through tax incentives to all emerging technologies for carbon reductions to allow consumers and businesses the freedom to drive the choices towards preferred lower carbon options.
5. Only implement a levy on natural gas when a less carbon intensive and cost effective solution is available.
6. Implement options to measure net carbon impact and only apply levies to the net amount, taking into account the measures used to mitigate the total carbon footprint, including absorption of carbon dioxide and technologies such as green carbon capture.
7. Allocate a portion of levies collected for the purpose of creating and providing educational programming tools related to natural resource development including both energy and agriculture.
8. Measure both the direct and indirect cost impacts of climate policies.