

# **Early Observations on the PCF**

## **A top five list**

**Dave Sawyer, Carleton University and EnviroEconomics**

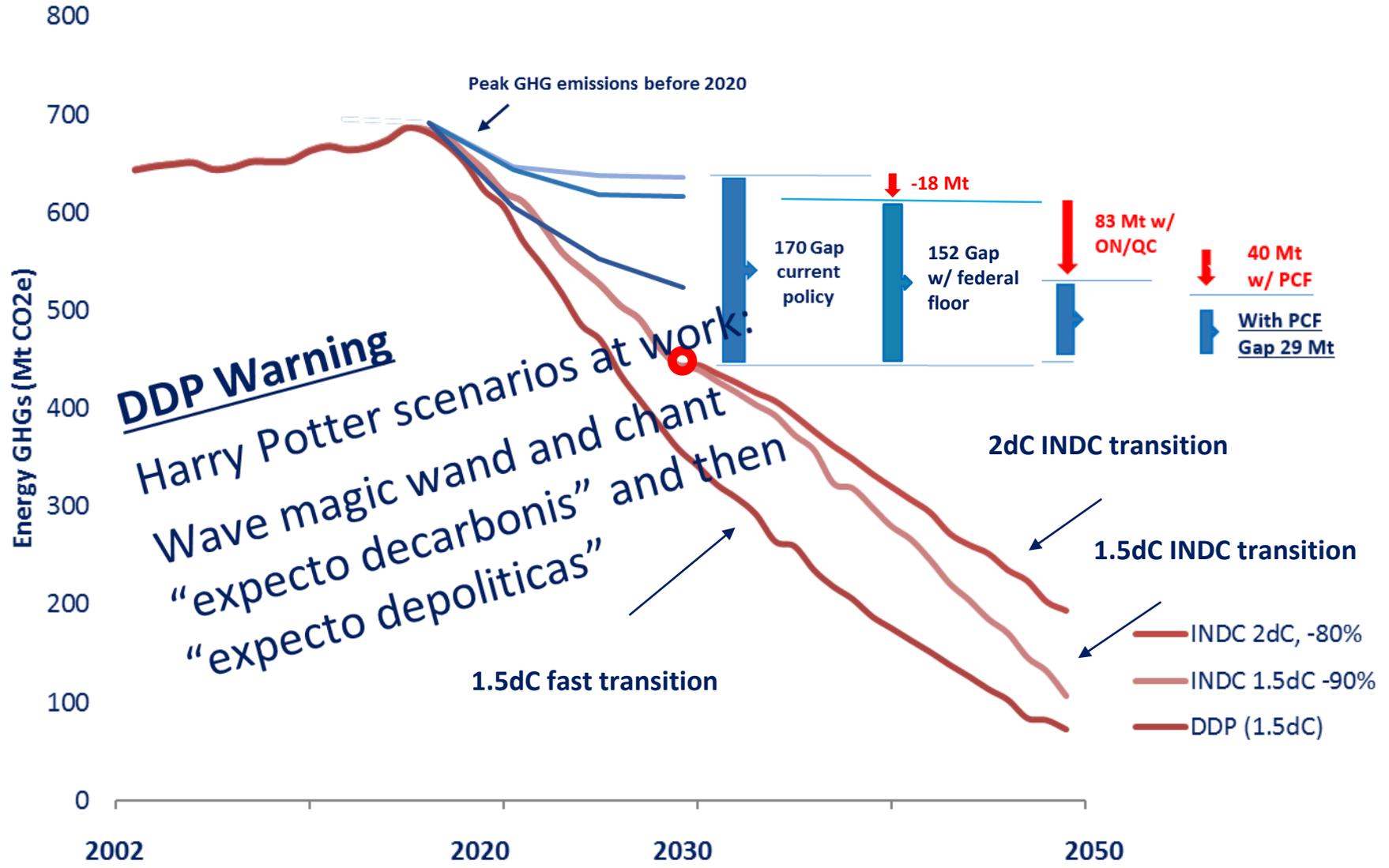
**With a little help from some friends:**

**Dr. Chris Bataille, SFU, IDDRI and IPCC WG3 lead author**

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# Taking Stock Canada's 2030 NDC and Deep Decarbonization



## **5. Fragmentation nation gets aligned**

**Bottom-up provincial policy architecture set, no federal pre-emption**

**A bottom-up world with uneven policy coverage and stringency**

Misalignment is ok when ambition and policy costs are low.

Regulatory burdens, cost misalignment worse with higher ambition.

Costs ~25% higher with provincial silos, really bad for competitiveness

**Governance matters, focusing on pan-CDN alignment on regulatory burden, costs and equivalent policy outcomes**

New pan-CDN governance structures under development

10 years of cooperative work.

## 4. Building carbon bridges

### **Federal recognition of WCI under PCF price backstop is a big precedent**

High CDN abatement costs pointing to the benefits of linked GHG trade

International traded units on the rise

CDN championed Article 6 under Paris

### **Federal carbon price floor is filling policy holes**

GHG trading policy development underway in most jurisdictions

### **Reduce costs with linked trade**

Big pan-CDN move: Trading indirect link through ON Offsets

Integrated modelling: \$220 to NDC, add WCI \$150, add domestic trade, \$100.

**Looking forward:** Unusual suspects: Clean Fuel Standard and renewable natural gas.

### **3. Take me to your stocktaking**

#### **Assessing and reporting on policy performance, competitiveness**

PCF to cooperatively assess outcomes across provinces

New governance structures to report performance at home and importantly abroad via the UNFCCC.

#### **Third party audit and evaluation on the rise**

Three auditors on the Ontario cap and trade system before the draft regulation was published

#### **Get your pen out, cause governments want your data**

Reporting burdens will increase for business and governments

Move from GHGs to production and other performance metrics

## 2. Policy packages and packing on policies

**Instrument choice junkies can't win; mix of instruments forevermore**

Diverse set of carbon pricing and performance regulations at play, innovation

Hybrid economy-wide the new normal: liquid fuels vs large emitter splits

Add subsidy reform, remove regulatory barriers and information programs

**But in fragmentation nation, cohesion, efficiency and effectiveness a concern**

Equimarginal (\$/tonne) policy instrument merit order

BC Low Carbon Fuel Standard traded at \$170 per tonne, CALI \$90

30% cost-effectiveness lose with integrated runs vs measure by measure analysis

# 1. Competitiveness neurosis in the time of Trump

## Has design really trump-proofed policy?

P and Q targets contain costs, OBAs, compliance flexibility, proceeds recycling and BCAs

**Output based pricing:** reduce income hit, maintain the marginal incentive to abate

Provinces developing compatible approaches

GHG quantification and benchmark alignment challenge

Pan-CDN alignment is a long-term project

Need better impact data, indicators and retrospective insight.

## Stroke of Pen Risk

Politicians will forever play politics with instrument choice (Oh, Ontario)

**Solutions oriented:** proceeds used to accelerate technology deployment

# So, the State-of-Play in Canada?

**Canada has a scalable policy foundation for increased ambition**

**Efficient.** Broad-based carbon pricing of now our national baseline.

**Established.** Governments can tighten existing performance-based regulations.

**Politically durable.** Policies to maintain competitiveness and ensure fairness.

**Scale of the decarbonization significant; costs rise fast even with efficient policy.**

The federal carbon price increases efficiency, better aligning carbon costs.

Move to global tradeable units to backstop ambition, keep costs down.

Policy interactions a real risk

**Focus on aligning costs** (as in federal floor) and **cohesive climate governance.**

Improving policy cohesion and efficiency is a priority.

Better stock taking of policy outcomes, gaps.

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