The Mining Association of Canada | L'association minière du Canada

Principles for Climate Change Policy Design

Climate change is a global issue that requires a global solution. The Mining Association of Canada and its members offer the following principles for consideration:

1. Establish a broad-based carbon price
2. Apply any climate change policy-related revenues to manage the transition toward a lower carbon future, including climate adaptation
3. Address competitiveness and carbon leakage concerns across all sectors
4. Be predictable, flexible and sensitive to changing conditions
5. Be simple, complementary and effective
6. Support lower-emission generation technology development and implementation
7. Recognize early action

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1. Establish a broad-based carbon price

Why is this principle needed? To ensure that the long-term cost of reducing greenhouse gas emissions achieves Canada's objectives efficiently while maintaining sustainable and competitive economic growth. Any policy design must cover the broadest possible range of carbon emission activities to maximize effectiveness.

Why is a clear price signal the best way forward? A broad-based carbon price is the most effective and efficient means to influence the investment and operating decisions that drive real emission reductions and innovation from all sectors of an economy. Regardless of which market-based mechanism (or suite of mechanisms) is chosen, a predictable long-term carbon price:

(1) Provides clear support for innovation and technology development

(2) Helps to maintain economic competitiveness

(3) Provides compliance flexibility

What would implementation of this principle mean? Developing and implementing a comprehensive approach that considers: (1) all greenhouse gas emissions; (2) all options for sequestration; (3) all policy mechanisms; and (4) seeking synchronized international and regional/national government policies and regulations. An initial critical part is to ensure national plans to reduce greenhouse gas emissions are pursued in a way that does not target selected parts of an economy. Any plans should be allocated across all relevant sectors and activities. A particular consideration should be on those sectors and regions where the most cost-effective low carbon technologies or abatement options are possible.

2. Apply any climate change policy-related revenues to manage the transition toward a lower carbon future, including climate adaptation

Why is this principle needed? To emphasize that the objective of climate change policy measures should be to address climate change related challenges (i.e. progressively reducing emissions) and, therefore, these measures should be revenue neutral.

What would implementation of this principle mean? There are two significant implications of applying this principle to climate change policy-related revenues. Emission reduction policies and measures provide new sources of revenues for governments. Such revenues should be directed toward two specific areas: (1) supporting the development of lower carbon technologies and fuels, and energy and fuel efficiency, with a particular focus on investment in research and technology improvements in the resource sector; and (2) helping 'exposed' economic sectors and populations adapt to the costs associated with a carbon-limited future.

3. Address competitiveness and carbon leakage concerns across all sectors

Why is this principle needed? Policies and programs need to address competitiveness concerns by ensuring there are no unintended consequences for emissions-intensive and trade-exposed sectors. Carbon policy should balance the competitiveness of exposed sectors and recognize that disparate international, national and regional climate change policies have the potential to create carbon leakage: where mitigation efforts achieved in one sector or jurisdiction lead to emission increases in another. The right policy balance should prevent a decline in investment, employment and tax revenues, along with potential distortion of trade flows.

What would implementation of this principle mean? Governments must implement appropriate safeguards to ensure that carbon costs borne by trade-exposed sectors allow them to remain competitive in the transition toward a lower carbon economy. Any climate change regulation should comply with international trade treaties to which Canada is a signatory such as NAFTA and World Trade Organization rules and principles.

4. Be predictable, flexible and sensitive to changing conditions

Why is this principle needed? Any climate change policy should be both flexible and sensitive to changing economic conditions and geography. Clarity of policy design is essential to achieve environmental goals, minimize the impact on consumers and suppliers, and maintain economic competitiveness.

What would implementation of this principle mean? Transition to a lower carbon economy would be achieved through a policy framework that provides sufficient time, consistency and clarity for consumers and industry to adapt and makes the necessary investments to maintain competitiveness – while achieving the rate of transition that is needed to meet objectives.

5. Be simple, complementary and effective

Why is this principle needed? In the pan-Canadian context, policies and regulations must lead to a national climate change management regime which: (1) is complementary with existing provincial climate change schemes, avoids duplication and is simple to understand and administer; (2) considers the total aggregate cost burdens placed on industry; (3) is informed by and balanced with other environmental policy areas, including land, water and air; and (4) delivers on the environmental objective of effectively reducing greenhouse gas emissions in a manner that associated costs do not outweigh the benefits.

What would implementation of this principle mean? Policy would be simple, complementary, or, where appropriate, equivalent with new and existing climate

regimes. Policy would also facilitate harmonization across jurisdictions with a consistent approach to monitoring, verification, reporting and administration. Most importantly, balanced policies and regulations should seek to provide maximum clarity to incent the behaviours necessary to reduce greenhouse gas emissions.

6. Support investments in the development and implementation of technologies that lower emissions

Why is this principle needed? It is clear from all credible scenarios that the transition to effectively address climate change will require a systematic transition to both infrastructure and technology over several decades. Capital investments to support the development of lower emission energy, including fuel-efficient power generation, require certainty from being stranded assets in the future. Policies should not limit energy technology choices, unfairly discriminate against energy choices, or establish technical barriers to trade or market entry. Policies should support the collective efforts of all stakeholders to ensure sufficient emphasis is placed on energy and fuel efficiency, and advancing low cost, low emission, stable and highly-reliable forms of power generation.

What would implementation of this principle mean? Governments would implement policies that create effective public-private investment partnerships to cultivate appropriate technologies and practices, including nuclear, natural gas co-generation, hydrological, renewable and other power generation sources and technologies. Governments would implement policies to encourage individual operations to transition to more energy and fuel-efficient technologies.

7. Recognize early action

Why is this principle needed? Acknowledging that some companies have been proactive in reducing their climate footprints, and that some provincial jurisdictions in the Canadian context have already established climate change mitigation regimes, it must be recognized that: (1) many early actors have undertaken investments and measures to reduce GHG emissions; and (2) that the incremental cost of further reducing carbon emissions disadvantages early actors compared with firms just embarking on mitigation measures.

What would implementation of this principle mean? Any new climate change policy developed should recognize that competitiveness impacts on early actors will be more severe than on firms not subject to existing climate change schemes, and those early actors should be recognized for their early contributions.