



Climate Change: The Role of the Regulator

Presentation to CAMPUT



May 6, 2003



“Alberta’s environment sustains a high quality of life”

Core Businesses

Leadership

Assurance

Stewardship
(Partnership)

Stewardship
(Education)

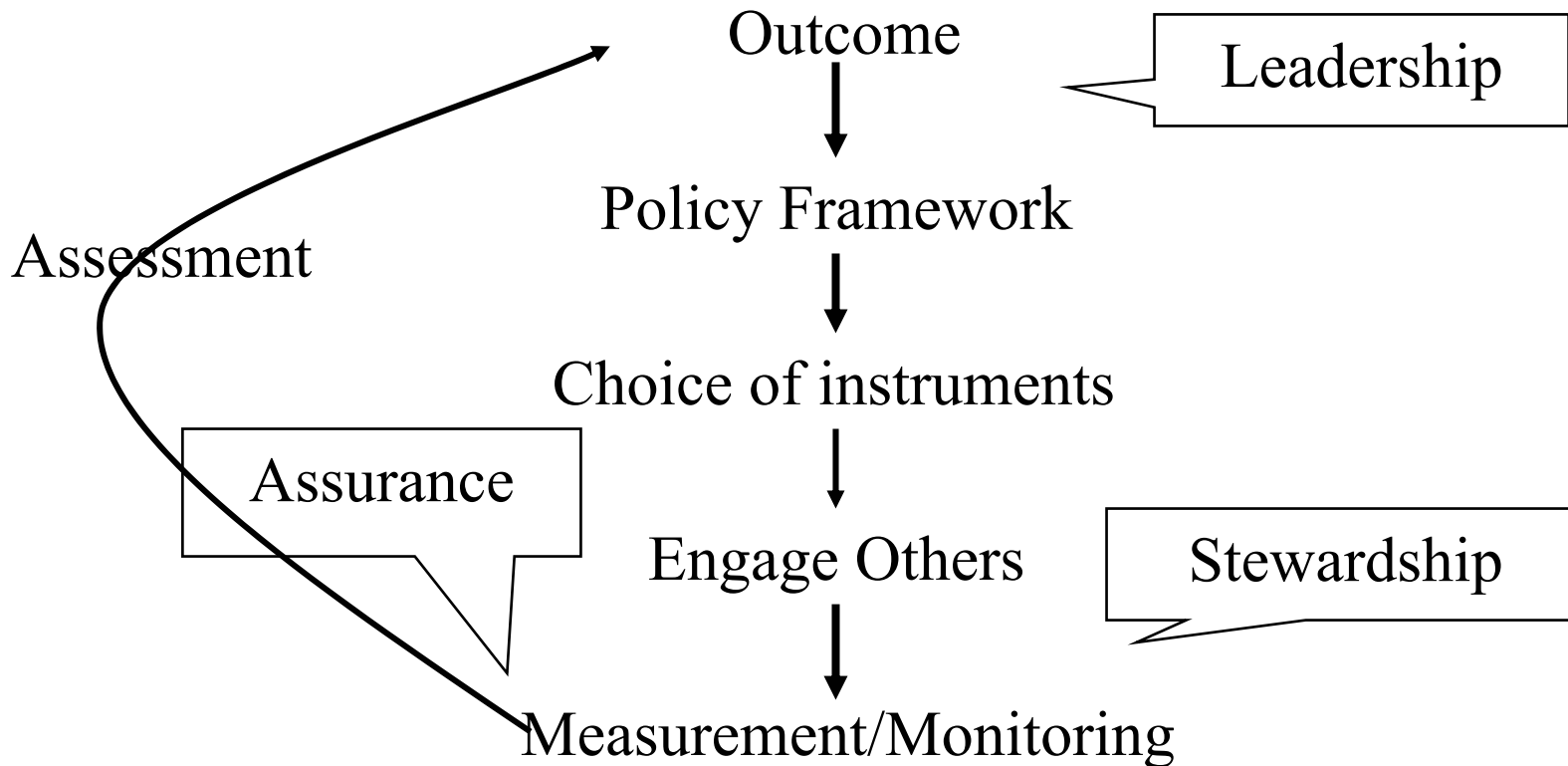
Hazard Management

Business Goals

- AENV is leader in proactive environmental protection
- **Sound environmental rules & regulations are in place & enforced**
- Environmental protection is practiced as a collaborative effort through partnerships
- Improve environmental public education & communication
- ANV ensures quick and competent responses to emergencies

Support Commitment by strategic business services

Policy Context





Climate Change: Outcome

- ◆ **“Climate change is the ultimate sustainable development issue. Canada must chart a path where our economy can continue to flourish and grow while at the same time improving its greenhouse gas (GHG) intensity, that is, becoming more efficient at producing each unit of gross domestic product with fewer GHG emissions”.**

– Government of Canada, Discussion Paper on Canada's Contribution to Addressing Climate Change



Climate Change Outcome

“to enable our economy to flourish even as we reduce our greenhouse gas emissions. . . without placing an unreasonable burden on any region of the country and assists Canadian industry to make the successful transition to a less carbon-intensive global economy”

– Government of Canada, [Climate Change Plan for Canada](#)



Climate Change Outcome

“Alberta’s target balances emission reductions and economic performance. . .

The goals, targets and milestones contained in this plan will lead to emissions reductions and the long-term objective of reduced concentrations of greenhouse gas emissions in the atmosphere. Focusing on arbitrary, internationally imposed, short-term targets that are unrealistic and costly for Canada risks a large diversion of investment capital out of Canada”

– Alberta Government, Albertans & Climate Change: Taking Action



Climate Change: Framework

- ◆ **“targets for emission reductions established through covenants with a regulatory or financial backstop”**

– Government of Canada, [Climate Change Plan for Canada](#)

- ◆ **“Taking Action” outlines actions in 7 key areas. “Sectoral Agreements are a key element . . . To ensure fairness, equity and certainty, the province will establish regulatory ‘backstops’.”**

– Alberta Government, [Albertans & Climate Change: Taking Action](#)



Covenant/Agreement

- ◆ **Different from traditional regulatory paradigm**
 - ◆ **Regulation: command and control**
 - ◆ Government in authority
 - ◆ Government sets rules and requires compliance
 - ◆ **Agreement: collaboration to set mutually acceptable outcomes**
 - ◆ Government Paradigm shift from command & control
 - ◆ Government enters into a more equal, mutual role
 - more “contract” than fiat
 - responsibilities on both parties
 - ◆ **Outcome: authoritative/mandatory**
 - ◆ Protect level-playing field
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Covenant Agreement (cont'd)

- ◆ **Describes performance expectations/targets of the sector**
 - Stretch objectives: E.g Cut intensity by 50% by 2020 with interim milestones
 - Reflects circumstances of the sector – capital, competitiveness, growth
 - Agreement is test of achievability
 - ◆ **Describes the whole expectation from the sector**
 - ◆ **Describes compliance options for sectors**
 - ◆ **Describes government contribution**
 - Incentives, fiscal and regulatory structures
 - ◆ **Backstop & penalties**
 - Equity and fairness: level playing field
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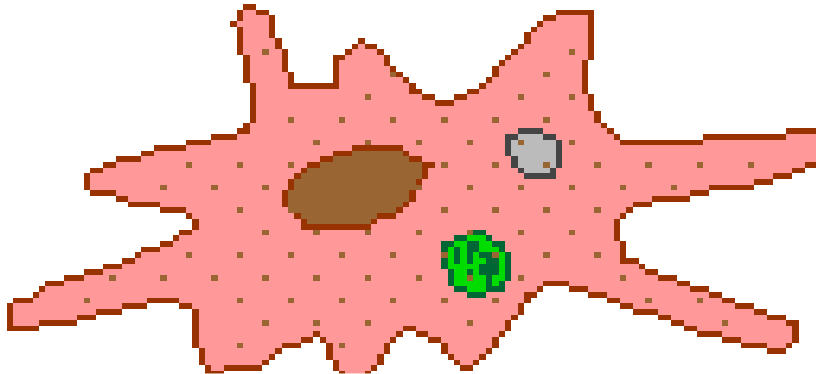


Check the policy framework against outcome

- ◆ **“Train-up” the economy for reduced emissions intensity & enhanced competitiveness**
 - ◆ **Covenant must have broad scope**
 - ◆ include full tool kit
 - Not single measurement
 - Not single instrument
 - ◆ Wide scope
 - Long view – fitting into investment cycle
 - Comprehensive perspective – considering international competitiveness
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Engaging Partnerships

What hurries the tail along

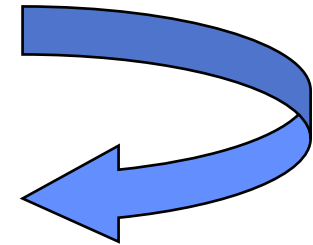
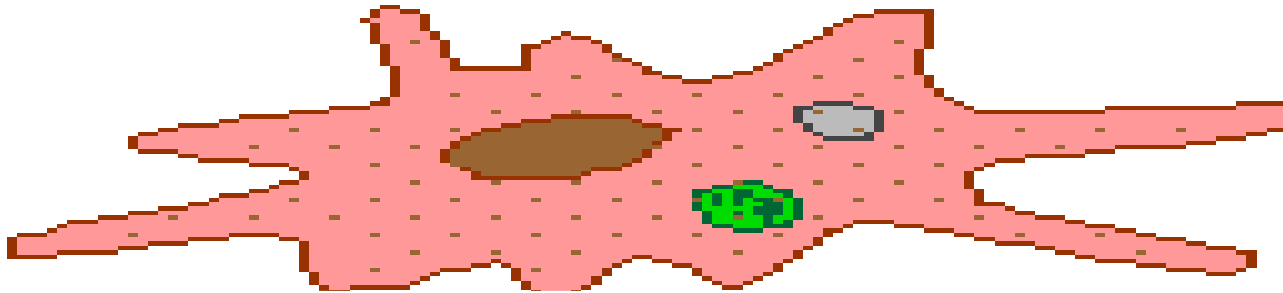


What pulls
(attracts the
leading edge)



What moves the centre

Leading the leading edge



Setting Direction:

- shared objectives
- Consistent framework
- Innovation system

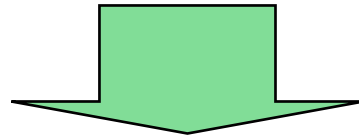
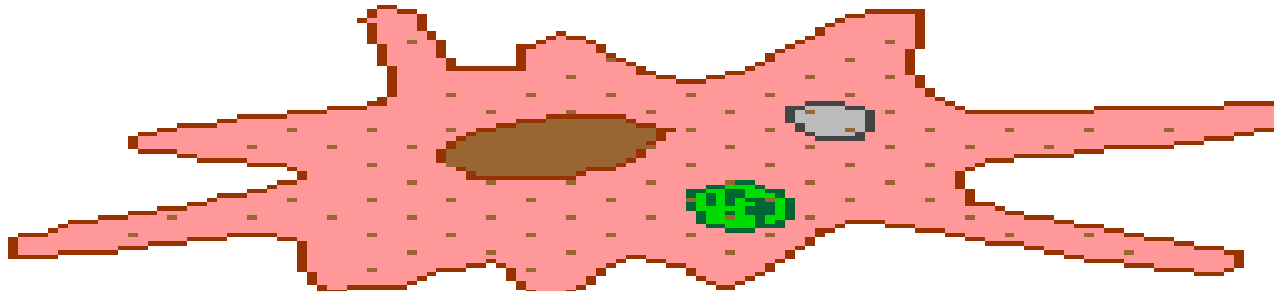
Innovation – the opportunity

- who discovers/develops new technologies?

Demonstration – the possibility

- who demonstrates they work in Canada?
 - what incentive for early movers?
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Moving the Middle



Commercialization

- Making new technology a cost advantage

Barrier Busting

- reducing regulatory and other barriers

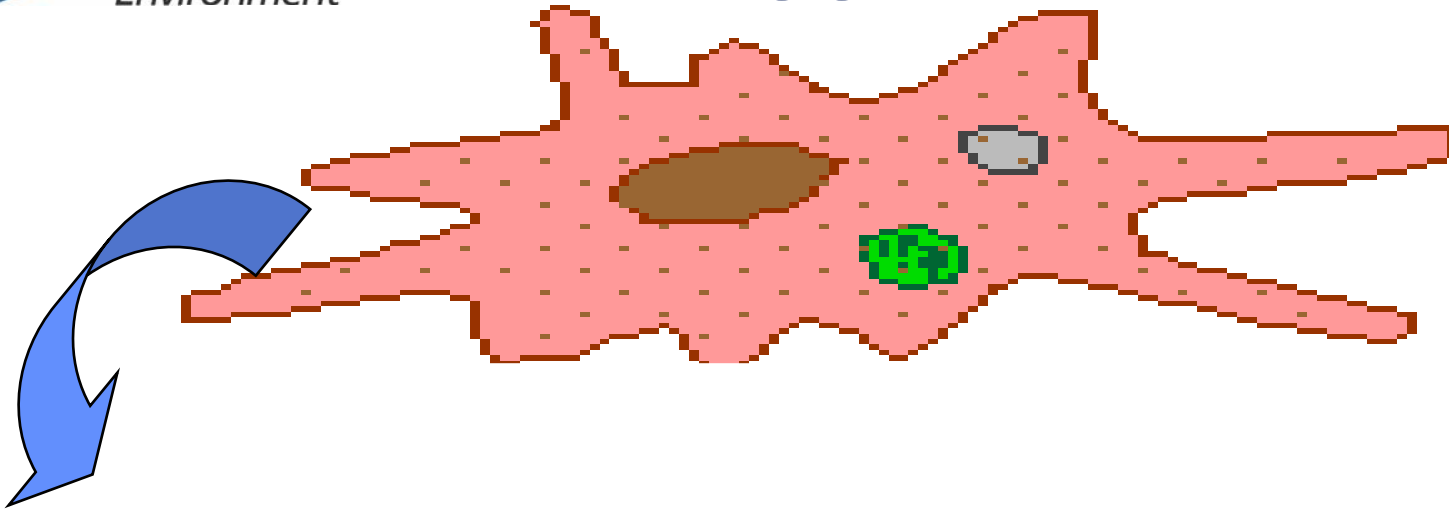
Education

- Making people aware

Changing the BAU

- creating a new “default”
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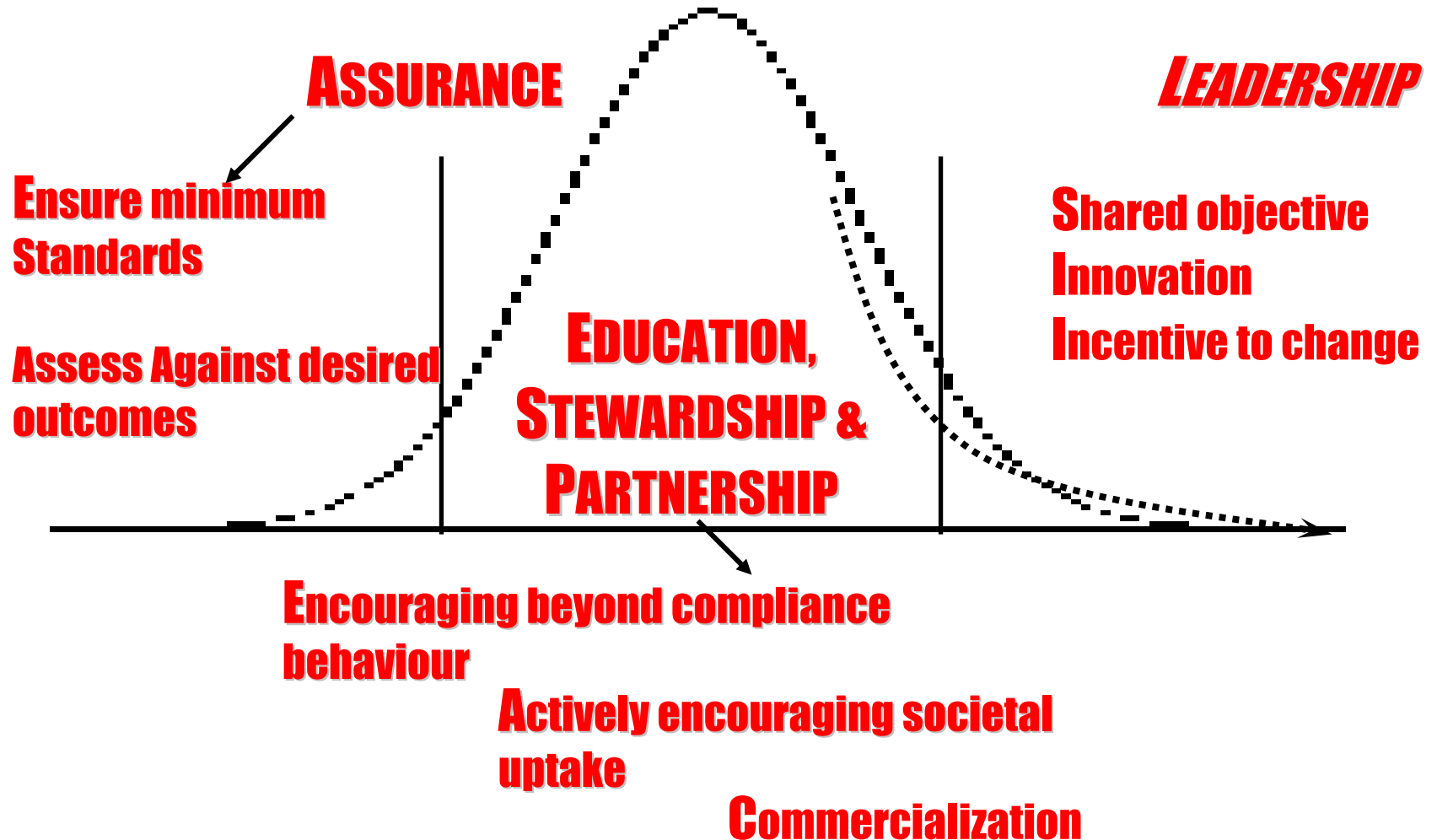
Picking up the stragglers



Regulation and compliance

- Setting minimum standards
 - Regulatory certainty
 - Flexibility
 - Compliance assurance
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Moving the Population





Alberta's Approach

- ◆ **Involve all sectors through bottom-up agreements**
 - “Continuity of perspective, realistic, stretch objectives, include flexibility, establish penalties for non-compliance, provide regulatory backstop
 - ◆ **Encourage individual action (Energy Solutions Alberta)**
 - ◆ **Lay the groundwork for broad change – technology and innovation**
 - ◆ **Ensure we can cope with changes through adaptation**
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Case Study: Alberta Electricity Sector

- ◆ **2001: Hold generators to their commitment to offset GHG emissions**
 - ◆ Incorporate into approval
 - ◆ Communicate expectations for all new (coal-fired) generation
 - ◆ Recognize process in place for sector-wide performance expectations
 - ◆ **2002: Work with industry to clarify expectations regarding allowable offsets**
 - ◆ **2003: Receive recommendations from CASA on overall framework for air emissions management within electricity sector**
 - ◆ **2003/04: Integrate CASA recommendations into sectoral agreement**
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Summary & Conclusions

- ◆ **Outcomes include both economic & environmental “efficiency”**
 - Key shared concern about competitiveness
 - ◆ **Framework not in place**
 - Longer term, comprehensive scope showing how this fits together
 - ◆ **Covenant = Regulation by another name**
 - ◆ **Regulation is a part of the tool kit**
 - Backstop and enforcement of agreements/covenants
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Summary & Conclusions (2)

- ◆ **Need to avoid the on-off, short-term requirement**
 - ◆ Need longer time frame to reflect & respect investment horizons
 - ◆ Scope must include competitiveness
 - ◆ Need to integrate GHGs with other regulatory requirements
 - ◆ Need for integration so that sectors do not face “double jeopardy”
 - ◆ **Need for flexibility**
 - ◆ Cost is an issue for everyone
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How does a regulator:

- ◆ **Participate in negotiating agreements/covenants?**
 - ◆ **encourage/ recognize/not penalize “beyond compliance” and “early action”?**
 - ◆ **enforce requirements against the double test of cost and effectiveness?**
 - ◆ **Integrate GHG performance with other requirements?**
 - ◆ **Ensure fairness among those he/she regulates and those he/she does not?**
 - ◆ **Act on a highly politicized issue?**
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Thank you

**For Information on Alberta's response to
climate change:**

www.gov.ab.ca/env

www.climatechangecentral.com
