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The Cost of a Cleaner Future

Examining the Economic Impacts of Reducing GHG Emissions



Policy action on climate change is set to accelerate quickly over the near term. In December 2015, the Paris Agreement was signed by Canada and 195 other countries. The agreement committed participating countries to implement policies aimed at keeping global temperatures from rising more than 2°C from pre-industrial levels. As part of its commitment to the Paris Agreement, Canada’s federal government announced several initiatives in 2016 aimed at reducing emissions, including a mandatory floor for carbon pricing in all provinces and the elimination of coal-fired electrical power generation plants by 2030. Canada’s federal and provincial governments have also negotiated a Pan-Canadian Framework on Climate Change and are working to further define and implement supporting actions.

This report focuses on three themes related to Canada’s progress in reducing greenhouse gas (GHG) emissions:

- The economic impact of carbon pricing—starting from the announced federal program and including a range of Conference Board scenarios.
- The economic impact of eliminating fossil fuel-fired electricity generation plants in Canada.
- The economic impact of the extensive investments in green technology development and implementation that will be required to achieve deep emissions reductions.

If Canada wants to significantly reduce its emissions, it will require sizable investments in clean energy.

Policy Implications

To reach Canada's 2030 target, the government's projection indicates that emissions need to fall to 219 megatonnes (Mt) below 2016 levels. Environment and Climate Change Canada's projections show emissions in 2030 stabilizing at their current level after including a coal phase-out in Alberta. The results of our analysis show that carbon pricing and decarbonization of electricity generation outside of Alberta will indeed reduce emissions, but those reductions will be far from enough to allow us to reach the 2030 target.

If Canada wants to significantly reduce its emissions, it will require sizable investments in clean energy. There are potentially significant cost savings that can come from shifting behaviours, and policy-makers need to explore the likeliness of successfully inducing the necessary behavioural changes.

At the same time, policy-makers need to be aware of the economic dislocations that will occur during the transition to a low-carbon future and draft solutions that will help minimize and mitigate the negative impacts that will occur.

In addition to the significant new spending needed, achieving deep GHG emissions reductions will require individuals to drastically change the way they live their lives and businesses to fundamentally alter the way they operate (most notably in the way energy is used and produced).

Policy-makers will need to articulate to their constituents the scale of the transformation required and what these changes will mean for their everyday lives, and ensure that society is willing to embrace these changes. Without broad-based support, the effort to reduce emissions will ultimately fail. Given that the investment requirements are in the trillions of dollars, we cannot afford to neglect the planning and communications required to achieve a successful and substantial reduction in emissions. Motivating broad-based support for the transition is key. Although the cost of action may seem high, the cost of inaction will likely be much higher.

Read the full report at

www.conferenceboard.ca/e-library/abstract.aspx?did=9021