



## Pics From the Vault

### Harmonized CANUSA Carbon Policy

Dave Sawyer | [dave@enviroeconomics.ca](mailto:dave@enviroeconomics.ca)

With a little help from some friends.

**Carbon bridges matter.**

**The case for linking**

Canada's NDC, and Ontario WCI benefits

**Carbon bridges to somewhere: AB-398 and Canada**

Stuff that matters for Canada

**Canada progress to NDC and deep decarbonization beyond**

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# The case for linking: Cost containment matters nationally to NDC

Long analytical history identifying the benefit of cost containment to decarbonization.

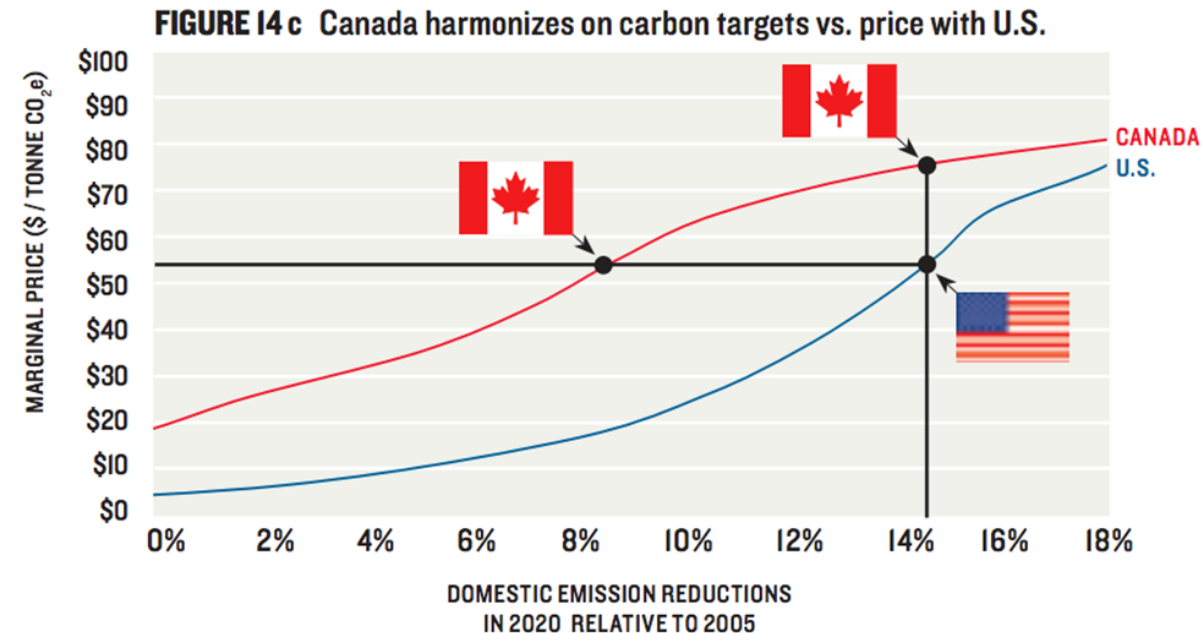
CANUSA CGE modelling on leading, lagging and harmonizing

- Align with US on prices, not Quantities given misaligned abatement costs
- Oil and gas in CDN, decarbonized electricity vs coal ELEC in US

With efficient and broad-based carbon pricing now our national baseline,

- NDC gap closed with max 80 Mt WCI ITMOs, national price to \$150 tonne in 2030
- Down from \$220 with no WCI backstop

## NRTEE Parallel Paths, 03-31-2011



## The case for linking: Cost containment matters to Ontario

High cross-border trade in allowances

Linked GHG trade vs alone carbon prices

- \$20 linked vs \$160 alone
- Leakage and GDP improved accordingly improved.

WCI imports, pan-Canadian offsets or Action Plan reductions all could close gap.

In 2020	Cap & Trade - Proposed Program	Cap and Trade – Unlinked, abatement recycling
<b>Policy Effectiveness</b>		
GHG reductions (Mt)	<b>18.7</b>	<b>18.7</b>
Leakage (Mt)	-0.28	-1.75
<u>GHG reductions in ON (Mt)</u>	<u>3.8</u>	<u>18.7</u>
<b>Net GHG Reductions (Mt)</b>	<b>18.42</b>	<b>16.95</b>
<b>Policy Cost</b>		
Carbon price (\$ nominal)	<b>\$20</b>	<b>\$157</b>
GDP impact (%)	-0.03%	-0.39%
Trade impact (%) (net exports)	-0.51%	-8.4%

## AB-398 and Canada

### Price ceiling and tiered speed bumps

- Alberta style buyout, but focused on purchasing reductions, not low carbon technology subsidies
- Linked to social cost of carbon with price tiers (APCR speedbumps); limit to \$CDN 80 in 2030 as ceiling?
- Price forecasts likely to be in the CDN \$80 to \$90 range for 2030; more abatement in Canada

### Offsets

- Does new limit put upward pressure on price?
- Could limited Cali offsets supply be a benefit to pan-Canadian supply into ON/QC.

### Free allocations

- Less pressure to move to full auction. Makes political economy more durable in Canada, especially Ontario.

### Proceeds

- Not relevant at all in Canada

### Federal floor

- Upward pressure on carbon price takes pressure of misaligned WCI price (low initially) versus the federal carbon price floor for tax jurisdictions.
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# Taking Stock Canada's 2030 NDC and Deep Decarbonization

with Chris Bataille

