

Canada–EU Relations: Cooperation on Climate Change and the Environment

A policy position paper prepared for the Department of Foreign Affairs and International Trade Canada and the E–Discussion Student Participation

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Question: How can Canada and the EU work together to achieve progress on climate change? What are the challenges posed and how can such challenges be overcome?

Shell has recently announced that \$865m CAD in federal and provincial funding may not be enough to make a proposed carbon capture and storage (CCS) project in the Alberta tar-sands a reality.¹ This points to larger questions concerning the legitimacy of using public funds to support CCS projects. Immediately after the start of the global financial crisis in late 2008, massive stimulus packages were enacted to instill quick growth and boost consumer spending in various economic sectors worldwide. A relatively small percentage of the total global recovery and stimulus packages, approximately 15%, was slated for apparent green initiatives.² Canada and the European Union (EU) were among those who passed stimulus packages, and each had allocated a certain amount of stimulus funding for green investments most aimed at reducing greenhouse gas (GHG) emissions. For the purpose of this paper, we analyze only the supra-national EU level stimulus measures separate from individual member states' climate related stimuli. The EU itself contributed roughly \$39bn through the European Economic Recovery Plan. Nearly \$23bn or 59% of the total investment was slated for 'green' or climate related projects according to recent HSBC estimates. Canada, on the other hand, invested only \$2.6bn (8%) of the federal government's \$32bn Economic Action Plan on 'green' initiatives.³ Of the \$2.6bn in green funding, a significant portion has been earmarked for energy technology. The \$1bn CAD Clean Energy Fund directly allocates \$650m CAD to large-scale demonstration sites for CCS technologies. The remaining 35% of this fund is also slated for energy R&D and small-scale CCS demonstrations.⁴ Meanwhile, many developed nations have also heavily invested in CCS. The EU is spending roughly \$12.5bn on CCS and similar energy-related investments. This disproportionately high percentage of green and energy related stimulus channeled towards CCS

¹ Jones, Jeffrey. "Shell carbon plan wins Canadian government funding." Reuters Online News, October 8th 2009. <http://www.reuters.com/article/GCA-GreenBusiness/idUSTRE59754P20091008>

² Robins, N., Clover, R., and Singh, C. (2009). A climate for recovery: The colour of stimulus goes green. London: HSBC Global Research. p. 1.

³ *ibid.*, p. 2.

⁴ Natural Resources Canada (2009). 'Harper Government Launches \$1-Billion Clean Energy Fund, Invests in New Technology, Creates Jobs.' <http://www.nrcan-rncan.gc.ca/media/newcom/2009/200943-eng.php>, Pembina 2009, p. 3.

investments is cause for concern, and leads us to the underlying challenges and problems of international climate cooperation.

While CCS technology has been cited as one of the paths to the low carbon societies of the future, it is not free of caveats. Exaggerated investments into CCS sites (i.e. more than 65% of Canadian Clean Energy Fund) is, in fact, a major impediment to efforts to combat climate change and poses serious challenges to an allied and comprehensive EU-Canada (and ultimately global) climate and energy plan. CCS is a nascent and unproven technology generally viewed as a scheme whereby the hydrocarbon industries can continue to extract resources from the earth at a heretofore unprecedented rate, albeit under the banner of 'clean energy' extraction. We believe that relying on CCS as a panacea and over-investing public money in it is inappropriate for what is, by all accounts, an immediate problem. This is not to say that all CCS plans should be scrapped entirely. The technology will most certainly have a place in carbon constrained societies, but it certainly does not warrant the lion's share of today's carbon mitigation funding. Canada and the EU should be working together to find sustainable solutions -- supporting new technologies that take advantage of renewable energy sources -- not subsidizing dying or obsolete industries that are associated with more negative externalities that this paper permits one to recount.

The following set of interrelated recommendations are put forward in the hope that Canada will reduce the amount of future investments into CCS, and strengthen its climate policy to align with other major players (namely the European Union). Without doubt, Canada should try to better coordinate its climate policy with that of the EU. Arguably the global leader on climate change issues, the EU has spent many years and billions of Euros on 'green' initiatives and has a wealth of knowledge and experience. Opportunities abound for Canada to collaborate with the EU on innovative energy technologies (including CCS). If Canada and the EU were to pool their resources with regard to CCS, they would each need to commit far less public money to the endeavor. The pooling of resources makes particular sense if the technology will be transferred to the developing world -- a possible outcome of current global climate talks. Furthermore, mutual commitments towards sharing technology for clean renewable energy forms, away from coal (which in essence is always dirty) and towards wind and solar power would be beneficial to both parties. This is especially relevant given the vast renewable potential for tidal, solar, wind, hydro, etc. (i.e. in the Bay of Fundy and Scottish coast) each has and the certain similar geographical traits they share. The EU and Canada have, at the Prague Summit, already committed to cooperating on

technology, of course, but the commitments were very broad and loosely defined. We recommend more transparent and enthusiastic cooperation and direct action on renewable energy infrastructures.

While supporting CCS technology is certainly valuable, doing so should not consume the majority of funding designed to pull Canada out of a global economic downturn. Indeed the economic crisis has exposed the vulnerability of CCS associated industries and their financing schemes. The funding packages put forth by the federal and provincial governments should be seen as an opportunity to use public money in order to move Canada forward and establish footholds in tomorrow's technologies, for example renewables and energy-efficiency. Canada should, first, de-emphasize the hydrocarbon energy sector by removing it from strategic plans such as [Advantage Canada](#). Second, the federal government should de-emphasize carbon capture and storage as a viable solution to climate change by reducing the percentage of public funding made available in comparison to renewable energy. Public funds that are invested in CCS should be maximized through elevated research and development cooperation with the European Union. CCS was already stated as an area of cooperation in the Declaration from the recent Prague Summit. The Prague Summit Declaration brings us to the last recommendation. Increased cooperation between Canada and the EU is needed in the areas of renewable energy and so-called 'innovative renewables' such as offshore wind turbines and deep-sea tidal energy. While CCS and bio-energies were listed as areas of cooperation in the Declaration, solar, tidal and wind energy technologies were conspicuously absent. This should be rectified in a significant, measurable manner as soon as possible.