

U.S. Climate Bill Threatens Canada

By Peter Clark
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The American Clean Energy and Security Act (ACESA) staggered out of the U.S. House of Representatives last Friday in a tight 219-212 vote. ACESA has been denounced as nearly 1,200 pages of ill conceived, inadequately considered, misguided meddling and overreaching state intervention. Opponents have labelled it the “Economic Suicide Act” and suggested that it is a declaration of war on the U.S. economy.

ACESA’s goals may be sold as noble, but its scope is so broad, the rule-making so complex and extensive, all based on vague standards, that it needed careful consideration and analysis, not midnight deals and wholesale amendments to buy the necessary votes.

The Waxman-Markey Bill (H.R. 2454) — named after its Democrat co-sponsors, Rep. Henry Waxman of California and Rep. Ed Markey of Massachusetts — aims to reduce greenhouse-gas emissions by 17% from 2005 levels by 2020 and by 83% by 2050. The Obama administration claims ACESA will create millions of new “green” jobs and reduce the United States’ reliance on foreign oil, all at minimal cost to U.S. voters.

This legislation poses serious risks for Canadian trade and investment. Ottawa cannot afford to have a less stringent regulatory system than the United States; it could lead to sanctions which would chill trade and investment. But adopting ACESA standards would cause fuel and energy costs — critical to all agricultural industries including export-dependent Canadian farmers and ranchers — to increase substantially. U.S. gasoline prices are expected to increase by US77¢ a gallon and other energy prices will mount as well.

The Canadian government has adopted a wait-and-see attitude toward what Congress legislates — with few signals to provinces, industry or Canadians about ways to reflect our interests. But Canada cannot escape the implications of this sweeping initiative, a bizarre mix of George Orwell and Lewis Carroll.

The bill that emerges from the Senate, where interests can differ from those of the House, may be modified. But President Barack Obama is already lobbying the Senate — no doubt to keep the majority in line with administration objectives. U.S. farmers, ranchers and manufacturers will have different views, while green technology giants like General Electric Co. and 3M Corp. will be pressing for the incentives to their interests in Waxman-Markey.

If Canada does not have a system at least as stringent as that in the United States, ACESA envisages tariffs on imports to equalize and offset differences. This was one of the middle-of-the-night changes made to secure enough votes to pass the bill. President Obama wants ACESA to be consistent with the United States’ international obligations. However, a recent World Trade Organization-United Nations Environment Programme (UNEP) report suggests that the WTO thinking is shifting, and such eco-tariffs may be WTO consistent. Canadians should recall the President’s assurances on Buy American — that its application would be consistent with U.S. trade obligations — when we learned that U.S. states and municipalities had no international trade obligations.

The Canadian government has so far been content to monitor developments and willing, if not anxious, to harmonize. H.R. 2454 has serious implications for all Canadians. Everything from food production to energy production has a “carbon footprint.” ACESA includes 397 new regulations and 1,090 mandates, which will impose horrendous burdens on a still fragile economy, not to mention creating an army of inspectors and regulators.

Will Canada need to do the same to satisfy the United States that our regulatory and control systems are equally stringent? And will Canada have the leverage to impose matching border measures to prevent “leakage” of economic activity and investment to countries with less stringent regulation?

These wide-ranging regulations, standards and performance criteria, based on vague new green standards, will shape virtually every aspect of life in North America. Waxman-Markey even establishes standards for light bulbs, air conditioners and other appliances’ eligibility for “energy-efficient mortgages,” the size and shape of outdoor electrical plugs in nursing homes and non-carcinogenic standards for building materials.

ACESA appears to create advantages for Canada for producers of clean and renewable energy — and for exports of same. But there are lingering concerns about what the U.S. initiatives mean for the oil sands. And how will nuclear power (not a big favourite for the Democrats) fare against wind and solar?

Can Canada afford to adjust its regulatory systems to conform to this inadequately considered, horse-traded legislation, which has been railroaded through Congress? Do we really have a choice, or must we accept a made-in-Washington carbon-emission regulatory system? We must examine the ACESA in detail to better deal with its implications for Canada. Ottawa urgently needs to engage Canadian stakeholders in an open and active consultation process. The time for “wait and see and harmonize” has passed.

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