

Kyoto and Municipalities

How best to address climate change
and municipal interests

What is Kyoto about?

- Targets require Canada to reduce greenhouse gas (GHG) emissions 6% below 1990 level by 2008-12
- Signatories are presently making decisions on ratification while others like Australia and the United States have decided not to ratify

How much does Canada have to reduce to meet Kyoto ?

- Emissions in 1990: 607 Megatonnes (Mt)
- Expected Emissions in 2010: 809 Mt
- Kyoto target: 571 Mt (6% below 1990)
- The gap is thus about 240 Mt and getting bigger - driven by economic and population growth

How does Canada see this being met?

- Federal government's *Action Plan 2000* (50Mt)
- Carbon sinks (24Mt)
- New technologies such as fuel cells
- Emissions trading (up to 144Mt)
- Purchase of credits from Russia and Romania
- Credit for “cleaner energy exports” (70Mt)

What are some of the possible municipal reduction opportunities?

- Building retrofits
- Community energy systems
- Landfill gas capture
- Energy efficient infrastructure
- Transit

How are these to be funded?

- This is not clear:
 - Most potential actions have costs involved
 - No readily identified source of funds

What would be the impact of government proposals?

- This is also not clear:
 - For the most part, the public has not been engaged in the climate change/Kyoto debate
 - The public supports the broad concept of Kyoto with no understanding of cost and lifestyle implications
 - Most of the discussion has been with the business community and in particular the manufacturing sectors

The reason is -

- While Kyoto is supposed to be about climate change and how humans deal with it, what it is really about is trade, competitiveness, and wealth transfer
- For climate change – even if Kyoto is met fully by all participating countries, global temperatures are hardly affected despite the high cost of action

The reason is -

- Only 38 countries have emission reduction obligations – mainly OECD countries, Eastern Europe and former Soviet Union
- Developing countries such as China, India and growing economies like Mexico, Korea and Brazil have no reduction obligations
- Combined with U.S. withdrawal from Kyoto – less than 1/3 of global emissions would be covered by the Protocol

What is the impact on business?

- The fundamental premise of Kyoto is the restraint on the use of carbon so as to reduce GHG emissions
- In today's world, even with hydro and nuclear generated electrical energy, we still need coal, oil and its products, and natural gas as fuels to make what we need, to transport us, to cook our food, and keep us warm
- ALL these have carbon in them and when used release GHG emissions

What is the impact on business?

- Government measures to reduce GHG emissions are really measures to restrain carbon which equates to a “tax” on the use of carbon-based fuels/energy
- “Taxes” always equate to increased costs which in turn constrain increased income for wages, new investments, and profits

How does this affect municipalities?

- Residential and business taxes provide funds for municipalities to function
- Municipalities are dependent on vibrant businesses to provide:
 - taxes directly to local government
 - jobs and wages

What level of “taxation” on business is being suggested ?

- Recent proposals suggest very significant “taxation”
- Many businesses would have to spend from 15% to well over 100% of their typical earnings each year to purchase GHG credits.
- Even firms with lower costs have to contend with customers facing higher costs and thus their ability to buy
- Many suppliers would have higher costs and therefore higher prices

What is the likely outcome of such measures?

- This is not a one time thing but ongoing year after year, larger emission reductions will be required in the second and third Kyoto commitment periods
- The likely outcome will vary but, fundamentally, business will need to figure out how to absorb these costs and may do so by:
 - cutting output, thus wealth generation in communities
 - moving to the USA which has rejected Kyoto and doesn't face the same costs/constraints
 - reducing staff and become importers from places like China and India who are not parties to Kyoto, etc.

For municipalities this means -

- More threats to already shaky business enterprises in communities
- Reduced ability to maintain existing tax levies
- Restraints on wages with indirect impacts on other businesses and municipal undertakings
- Reduced revenues to higher levels of government and, in turn, reduced cash flows back to already-constrained municipalities
- Reduced ability of local government to provide services

What's in it for municipalities to support Canada ratifying Kyoto ?

- Infrastructure dollars for projects that may not have been economic otherwise (diverting capital away from other projects)
- “Good feeling” knowing that Canada is joining with some in the international community (rather than working to find effective long-term solutions)
- Goodwill of citizens (until they begin to encounter the costs involved)
- Lost jobs -- Lost revenues

*What might municipalities
consider if Kyoto
isn't the answer?*

- The present climate change issue was not created in ten years – it will not be resolved by trying to respond within 10 years
- Actions with realistic timeframes that are not constrained by unworkable agreements like Kyoto

Options to Consider

- Longer timeframes for reductions in GHG emissions and to realize incremental improvements
- Improve energy efficiency at the local government level
- Ensure strong cash flows to do these things by focusing on actions that build and strengthen and sustain local business rather than constraining it to get totally opposite results

Suggested First Steps

- Refuse to endorse the FCM model council resolution urging the federal government to ratify the *Kyoto Accord*
- Demand that municipal interests be considered in the development of climate change actions (not Kyoto actions)
- Demand a response that is coordinated with the federal and provincial levels of government to ensure a cohesive and synergistic set of actions that actually benefit municipalities