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TOWARD A LOW-CARBON ECONOMY

The costs and benefits of cap-and-trade

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Agenda

1. Where is Canada on climate action?
2. Challenges and opportunities for Ontario
3. Impact of cap-and-trade
4. Recommendations for building Ontario's low-carbon future



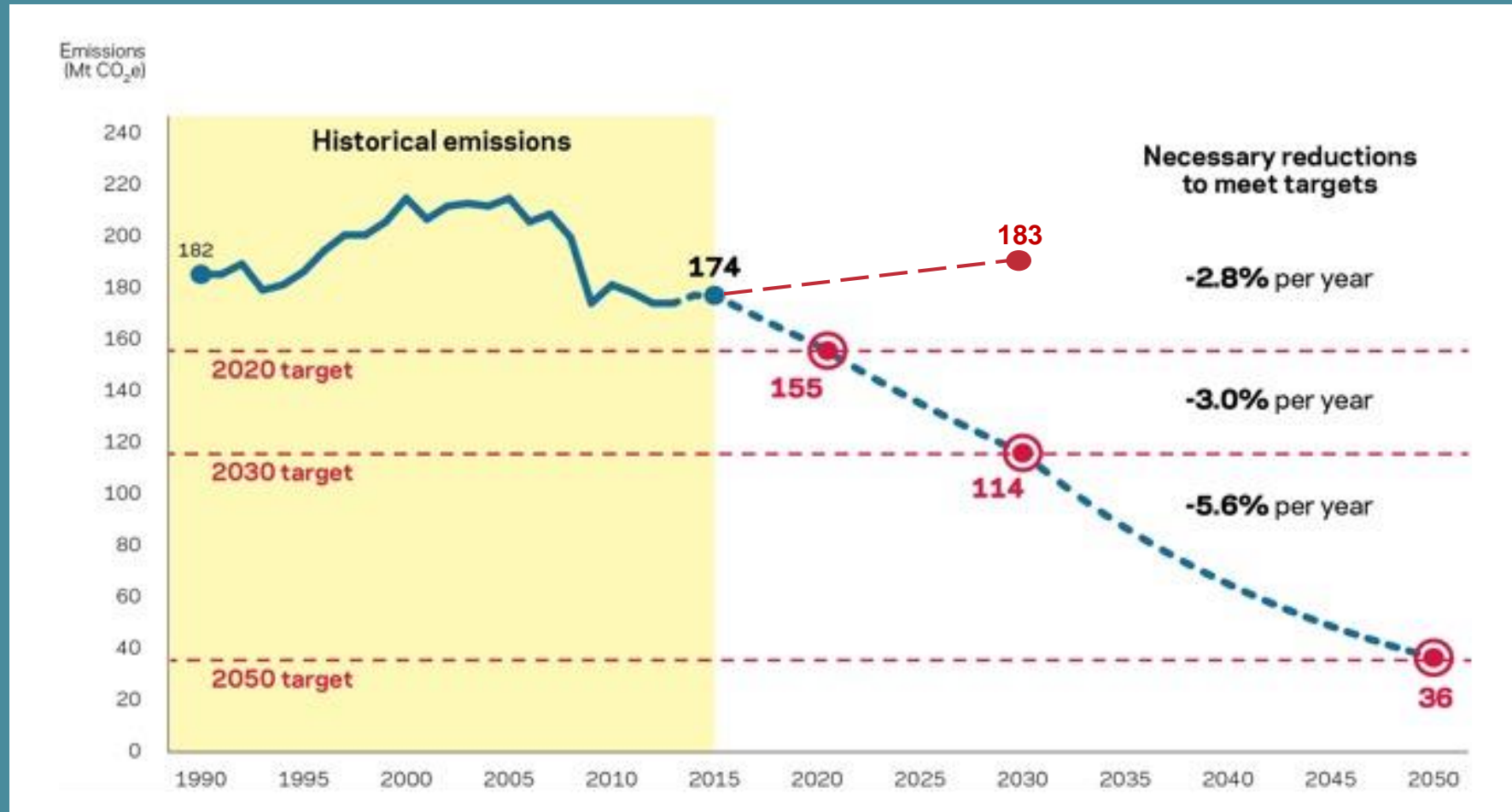
Canada's climate action

- Canada signed the ambitious *Paris agreement* on April 22nd, 2016
- Federal action has been slow and insufficient
- Inaction will be costly
- Ontario needs to play its part, starting today





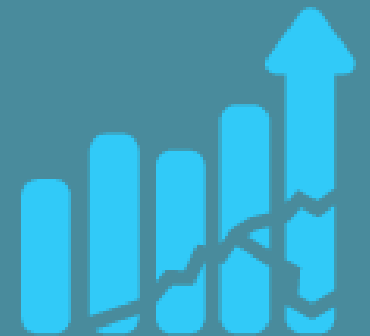
Ontario's emissions and targets





Ontario's challenges

- Under current climate policies, emissions are projected to rise
- Ontario's climate policies have been on a sector-by-sector basis
- An economy-wide carbon price will reduce emissions, but can erode competitiveness and hinder economic growth
- There is a need to balance the costs of a policy today with the long term benefits





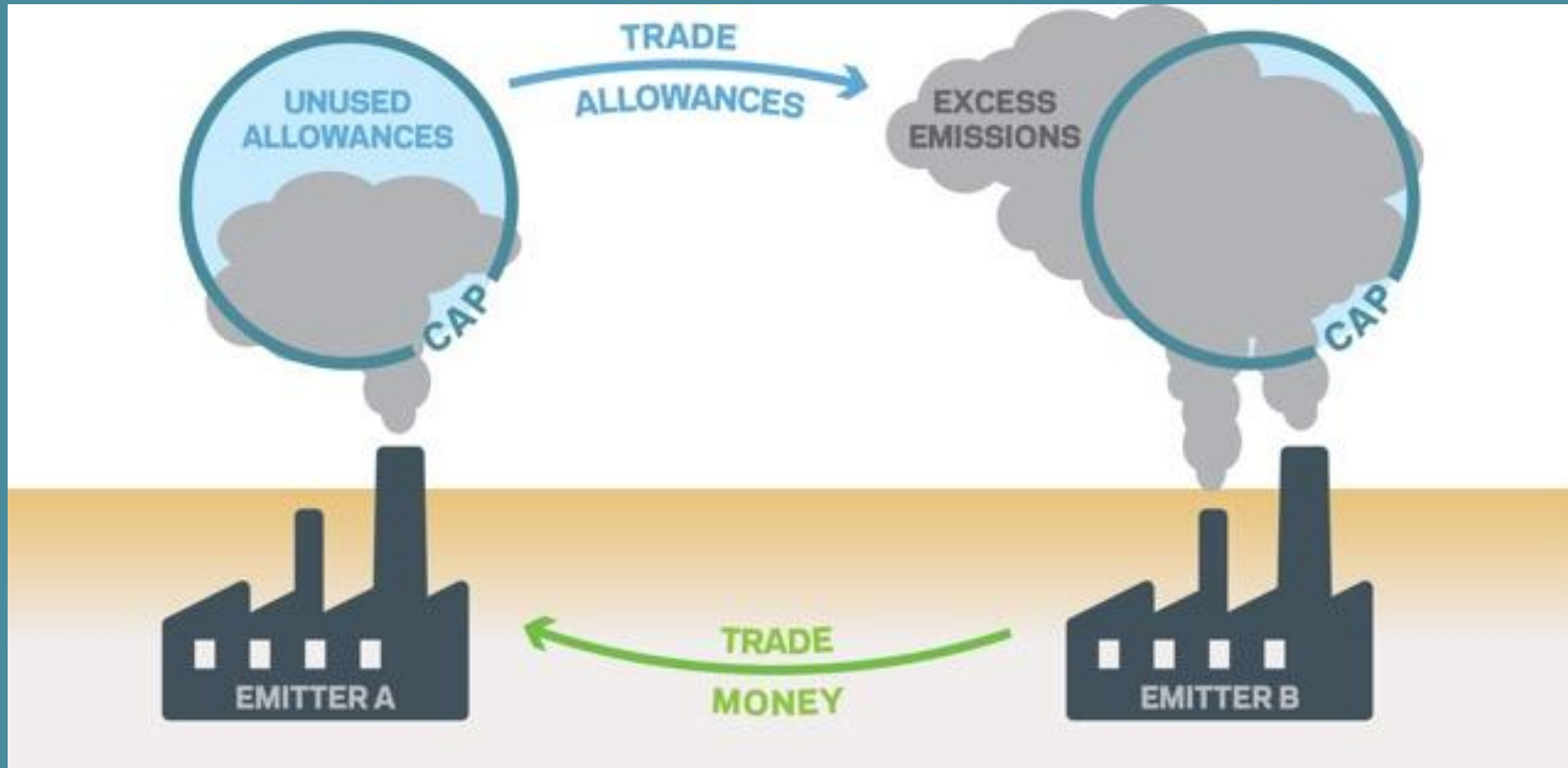
Ontario is well-positioned for the transition

- Ontario has a low-carbon electricity sector
- Ontario's economy is not resource dependent
- Ontario's competitiveness strengths lie in its service (low-carbon) sectors





Ontario is implementing cap-and-trade





Cap-and-trade design (ICP's assumptions)

Cap: set to meet emissions targets

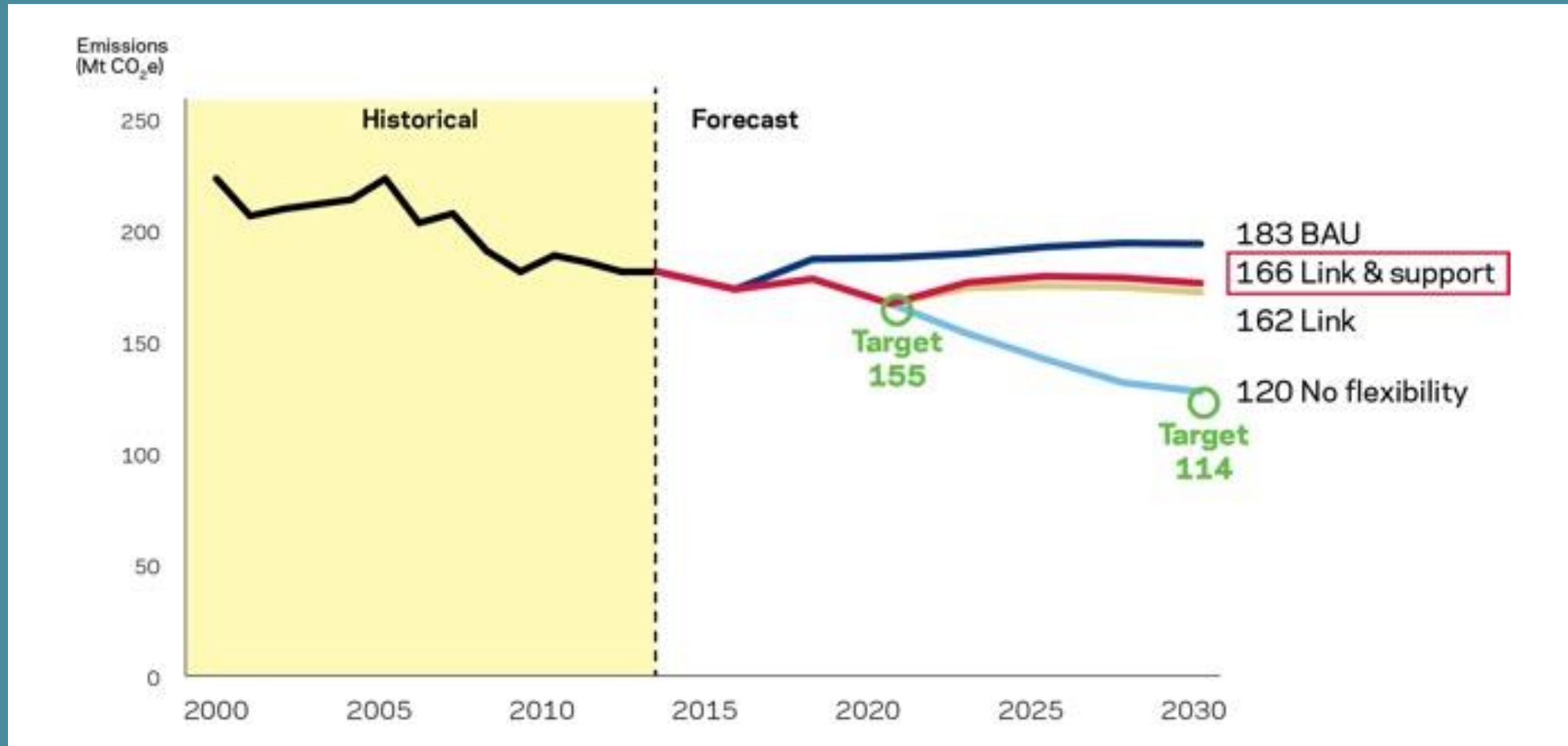
Auction revenue recycling: 50% to households, 50% to businesses

Scenarios:

- Business as usual
- Cap-and-trade (Ontario alone)
- Cap-and-trade (linked with WCI)
- Cap-and-trade (linked, with free allowances for at-risk industries)

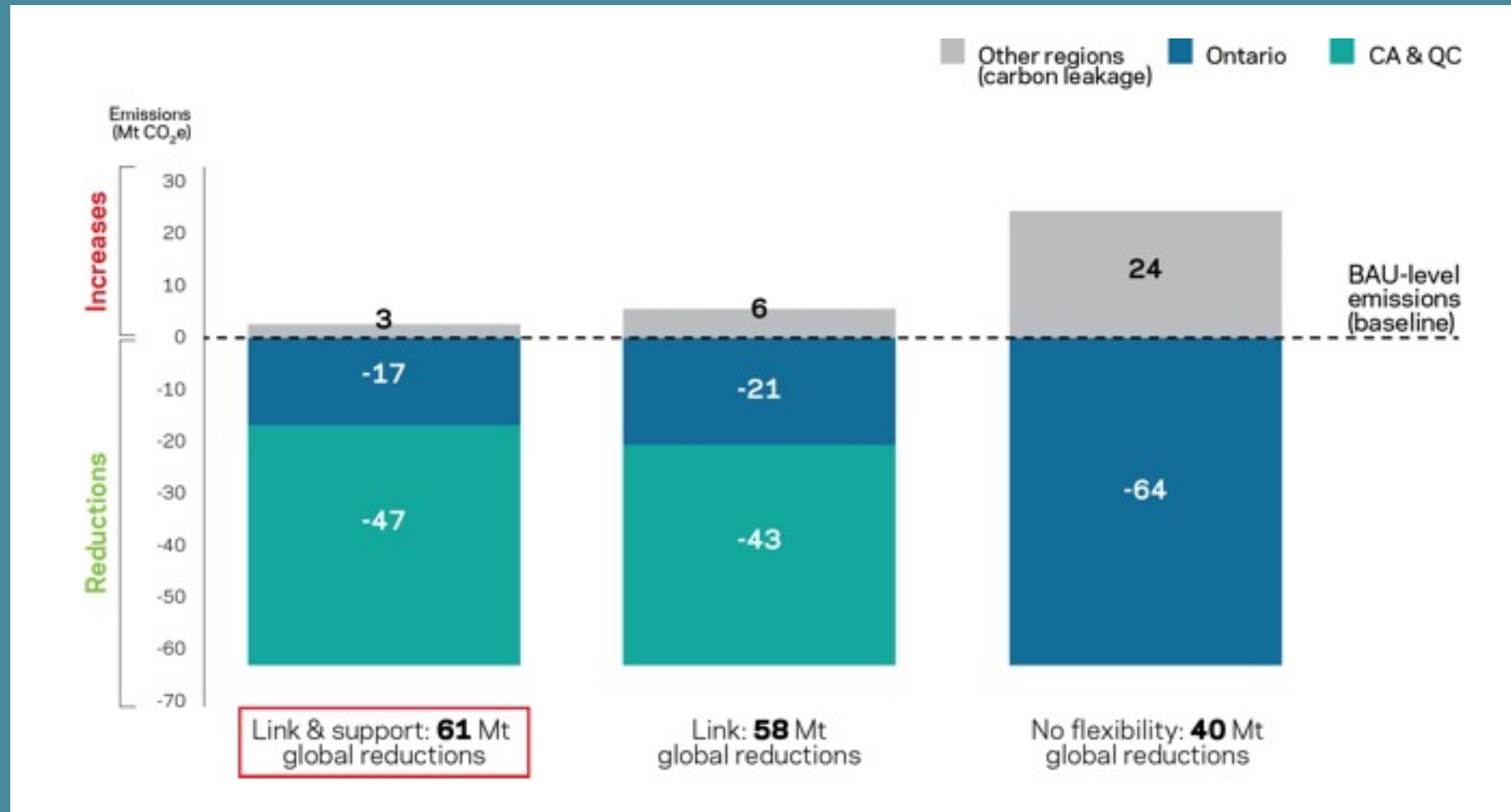


Effect on GHG emissions (Ontario)

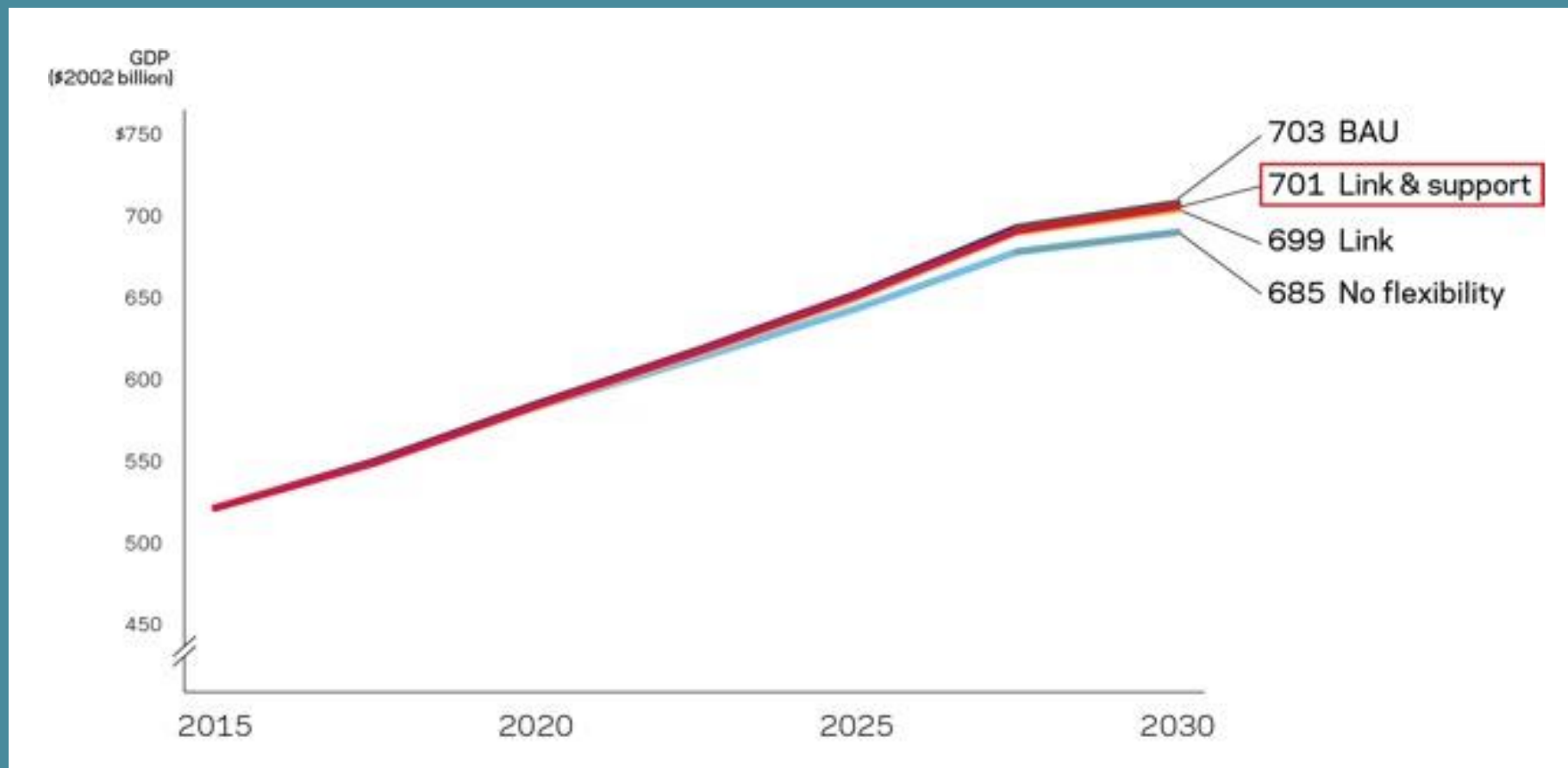




Effect on GHG emissions, 2030 (Global)



Effect on economic growth



GHG reductions and GDP growth can exist together

In 2030

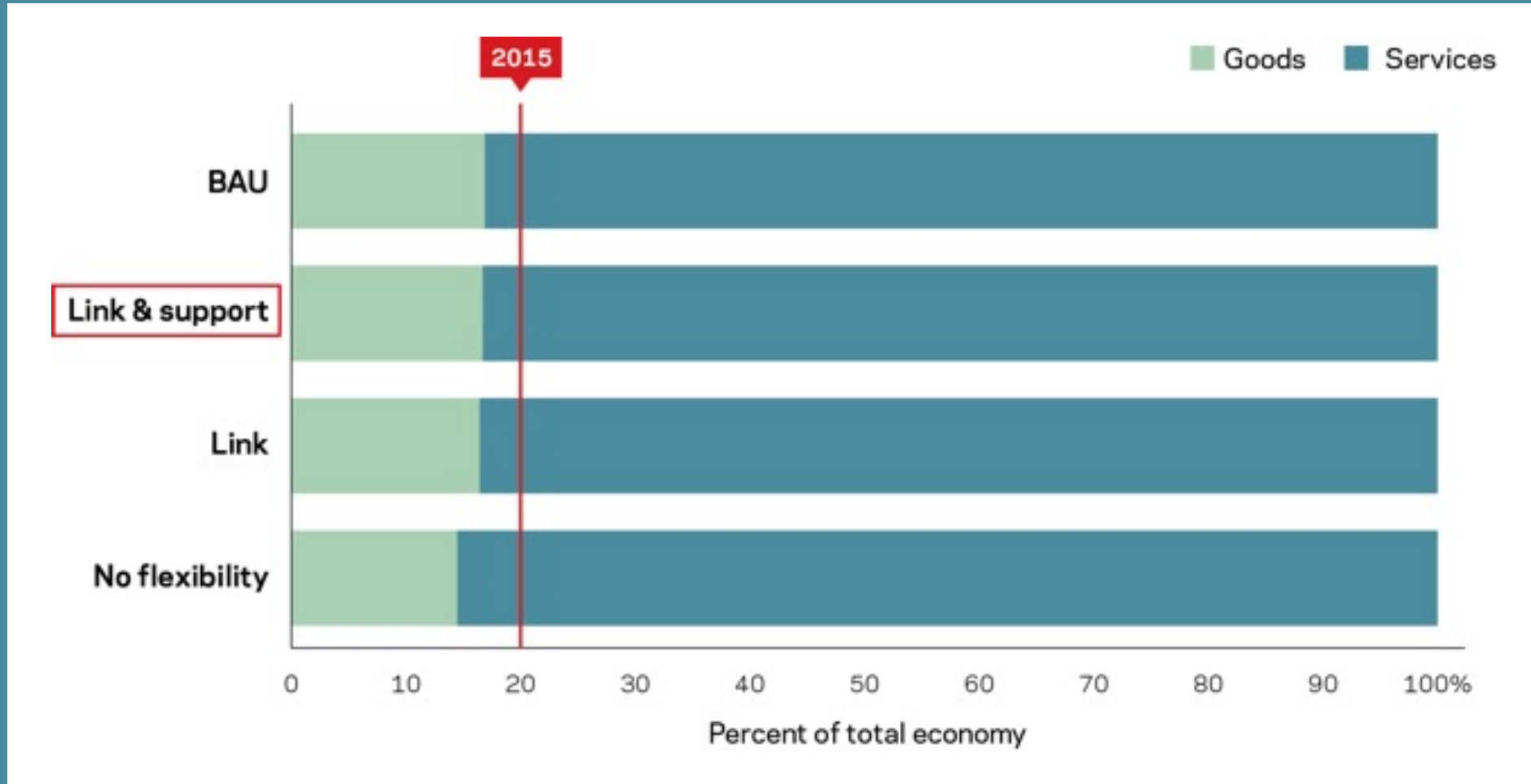


Design matters

	No flexibility	Link	Link & Support
Reduction in global GHGs (Mt)	40	58	61
Reduction in Ontario's GDP (\$ billion)	18	4	2



Ontario's service sector will grow





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Recommendations: Cap-and-trade design



Link with the WCI as soon as possible



Maintain support for at-risk industries
in the short to medium term



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Recommendations: Complementary policies



Conduct a review of existing emissions reduction policies



Refocus the province's industrial policies



Recommendations: Education and outreach



Inform the business community about cap-and-trade details early



Educate the public about cap-and-trade

Questions? Feedback? Contact us.



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