

# Carbon and the Common Good

*A CPJ backgrounder on pricing carbon emissions*

Prepared by Joe Gunn and Daniela Ljomov

Presented by CPJ's Program Advisory Committee  
at the CPJ Board meeting, May 2012

CITIZENS *for* PUBLIC JUSTICE





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### **Our Vision**

- CPJ is committed to seek human flourishing and the integrity of creation as our faithful response to God’s call for love, justice and stewardship.
- We envision a world in which individuals, communities, societal institutions and governments all contribute to and benefit from the common good.

### **Our Mission**

- CPJ’s mission is to promote *public justice* in Canada by shaping key public policy debates through research and analysis, publishing and public dialogue. CPJ encourages citizens, leaders in society, and governments to support policies and practices which reflect God’s call for love, justice and stewardship.

### **Public Justice**

- CPJ Public Justice is the *political* dimension of loving one’s neighbour, caring for creation and achieving the common good, and is particularly the responsibility of government and citizens.

CPJ addresses a range of public justice issues, from eliminating poverty to creating a climate of welcome for newcomers to fostering hopeful citizenship. CPJ’s professional staff actively engage in a number of activities to realize CPJ’s mission and keep public justice front and centre in policy debates.

Our members, who come from a wide variety of faith communities, are committed to public justice and its contributions to public dialogue. They participate in CPJ’s work through campaigns, dialogue and financial support. CPJ’s board of directors includes representation from across Canada and meets regularly three times per year.

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# **Carbon and the Common Good: A CPJ backgrounder on pricing carbon emissions**

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## **1. Executive Summary**

CPJ has always held that “public justice is no more and no less than the doing of political love toward our neighbours – the political way of keeping the central love commandment to love God above all else and one’s neighbour as oneself.” As well, “From its inception in 1963, CJL has attempted to address political issues by giving biblically inspired content to its public justice – political love – confession.”<sup>1</sup>

More recently, as CPJ has stated in the organization’s 2007 guiding document, “Rooted in Scripture, public justice unfolds in human history as God continues with redemptive work in creation... Public justice functions as a norm to use in analyzing current realities, forming policy options and assessing impacts of governing actions or inaction.”<sup>2</sup>

This paper will continue the public justice tradition of CPJ, by looking at the environmental crisis from this perspective. After summarizing some of the biblical principles that guide our reflection, this paper will address one specific and complex area of debate, carbon taxes. It will then attempt to lay out some positioning for the organization on this issue.

## **2. Why engage in Ecological Justice?**

Psalm 24 reminds us that, “The earth is the lord’s and all that is in it...” From the first lines of the Bible, even before humans were created, the Book of Genesis reports that God placed a high value on each part of the new creation.<sup>3</sup> And after the flood, God made a covenant, not only with the man Noah, but indeed with every created thing.<sup>4</sup>

Christians understand that “humans are both an inseparable part of the created order and have a special role within and a unique responsibility for all parts of the biosphere.”<sup>5</sup> We also understand that, “God’s plan of salvation includes the restoration and reconciliation of all creation.”<sup>6</sup> It therefore seems impossible to speak of developing a public justice stance on economic or social issues, whether that is related to poverty, migration, taxation, or anything else, without including ecological sensitivity. In short, to be relevant today and remain faithful to its intent, public justice work must continue to deepen and emphasize ecological justice as an intrinsic and constitutive element.

Theologian Daniel McGuire puts this in rather more stark terms to a wider audience when he writes, “If current trends continue...we will not. If religion does not speak to this, it is an obsolete distraction.”<sup>7</sup> Substitute McGuire’s use of the word “religion” with the phrase “public justice,” and the same point is evident.

## **3. Climate change and public justice**

But, then, why focus on climate change?

According to Vancouver School of Theology professor Sallie McFague, because, “Climate change, quite simply, is the issue of the twenty-first century. It is not one issue among many, but, like the canary in the

mine, it is warning us that the way we are living on our planet is causing us to head for disaster. We must change. All of the other issues we care about – social justice, peace, prosperity, freedom – cannot occur unless our planet is healthy. It is the unifying issue of our time...”<sup>8</sup>

Bill McKibben, a Methodist Sunday school teacher and environmentalist, speaks of earth as “a museum of divine intent.” But he also refers to climate change as “the single great crisis of our time, surpassing and encompassing all others.”<sup>9</sup>

Tim Flannery reminds us, “When we consider the fate of the planet as a whole, we must be under no illusions as to what is at stake. Earth’s average temperature is around 15 degrees C., and whether we allow it to rise by a single degree, or 3 degrees C., will decide the fate of hundreds of thousands of species, and most probably billions of people.”<sup>10</sup>

Perhaps then, the following five norms could provide a useful beginning for persons desirous of using a biblical and public justice lens to aid their reflection on ecological justice issues, especially climate change:

- **Respect for Life:** The creation story in Genesis reveals that God created this beloved world, declared it to be “very good,” and entrusted it to the care of humans. Therefore, the destruction of the good work of God, and even of life itself, is hardly a respectful human response. Many of us can think of moments spent before the awesome sights of nature – powerful storms, towering mountains, the immensity of the sea, and the beauty of a sighting of a new or rare species of animal – as times when the presence of the Creator seemed very real. If global warming drives species towards extinction, intensifies natural disasters and threatens human health, then it becomes a life issue.
- **Advancing the Common Good:** The role of government is not just to assure that individuals are free to enter into contracts and relationships of their choosing. Government exists also to help society’s varied institutions and communities contribute to the common good. Some authority is needed to ensure a healthy environment for all. The private sector has a role to play in mitigating the effects of climate change, but the unregulated market has not been able to respond to the climate crisis. The principle of the common good may come ahead of individual claims to profit, leisure and personal choice. And the common good surely does not mean that the 400 million people in India who currently live without a light bulb will be expected to pay for adapting industrial economies to a low carbon future. Rather, adaption strategies should be financed by the economies which have the most capacity - those which have already benefited from the current development model.
- **The Interconnection of all Processes:** the discipline of ecology teaches that no one solution exists to any of the major issues humanity faces. Manipulation of one aspect of biology has repercussions for other aspects, and the same is true of societies. As St. Paul writes, “there are many parts but one body” and “if one part suffers, all the parts suffer with it.”<sup>11</sup> Thus, it is not enough to “save the environment”, without also working to redress current injustices among persons and communities who suffer poverty or who are excluded from full participation in development.
- **Sustainability:** The Exodus story of the provision of manna cautions against the human urge to take too much of anything. Rather, according to the injunction in Luke 12:15, we should “guard against every form of greed.” Since future generations of families also have a right to the goods

of creation, we cannot over-consume and deny our grandchildren a healthy and secure life. Economic, social and ecological sustainability are irrevocably connected. Yet levels of greenhouse gases have been rising every year since records started to be kept in 1998. And Canada not only broke its promise to reduce emissions under the Kyoto Accord, but has increased them by over 26%.

- **Peace:** In January 2007 the Bulletin of the Atomic Scientists moved its Doomsday Clock closer to midnight not only because of nuclear weapons, but also due to the growing threat posed by climate change. Due to increased migration and regional rivalries for scarce resources caused by climate change, NATO has been advised to increase its weaponry. To decrease the ecological destruction that all wars magnify, it is imperative to prevent the devastation that climate change wreaks upon the most troubled and defenseless corners of the planet.<sup>12</sup>

#### 4. CPJ's work on taxation

In May 2011, the CPJ Board considered a 40 page Backgrounder on Taxation. It included a short section on carbon and other "green" taxes. The accompanying "Position Statement on Taxation" made 7 points, the last being, "Canada should put a price on carbon. Rather than be used to offset revenues from other taxes, the money raised from a carbon tax or cap-and-trade system should go to low income credits and for programs that help families and businesses to adapt their practices and their homes and buildings and encourage the development of new, green practices and technologies."<sup>13</sup>

#### 5. Linking taxation and ecological justice

Tax measures are one way to achieve ecological justice, especially when the conversation turns to climate change. Options include using currently established taxes (i.e., a fuel tax) or establishing a new tax (such as a carbon tax.) The point in each case is to allow the market to send signals (what economists refer to as "pulling with" as opposed to "against" prices) that will influence behavior to meet desired societal goals.

Current price structures in our economy actually create environmental problems, by refusing to price all of the inputs used in production. A solution is simply to change the incentives (prices) to align them with environmental goals. Society already "taxes the bad, not the good," in order to influence some behaviours (think of tobacco taxes or tax deductions for RRSP savings, for example.) Such taxes and incentives, if well-designed, can be helpful in making change, and can be more cost-effective and provide fuller coverage than regulation.

To counter negative externalities, societies could "tax the bads," such as water and energy wastage, traffic congestion or urban sprawl, for example. On the other hand, "positive externalities" can actually be encouraged by use of subsidies, as in the case of public transit, education, and other community facilities and parks.<sup>14</sup>

A concern with all taxes, of course, is that they be, and be seen to be, fair. Environmental taxes can be regressive in nature, having a disproportionate effect on lower and middle income people. User fees are one example of other taxes that could also be described as regressive (especially if they "tax the goods" rather than the public "bads.") But nothing makes "green" taxes inherently progressive or regressive – it

depends on the design of their policy package and must include attention to both the revenue as well as spending sides.

To encourage public support for green taxes, such as a carbon tax, the policies must be seen to be smart as well as fair: by taxing pollution (a “bad”), not jobs (“a good.”) They can be designed to support the “green collar economy,” and to create jobs that support the triple dividend of social, economic and environmental progress.

## 6. The Case for Pricing Carbon

Many experts agree putting a price on carbon is one of the most effective ways to lower greenhouse gas emissions, the principle contributor to climate change.<sup>15</sup> Carbon pricing<sup>16</sup> puts a fiscal price or tax on the burning of fossil fuels like heating oil, natural gas, coal, gasoline and diesel fuels. Based on the Polluter Pays Principle, carbon pricing requires those who pollute to pay monetarily for the damages caused to the natural environment by their activities. Carbon pricing internalizes many of the environmental and societal costs related to the production and consumption of carbon intensive goods and services which current prices often ignore.<sup>17</sup> With the exception of British Columbia and to a lesser extent Quebec, prices in Canada for non-renewable fuels such as gasoline currently do not reflect the environmental damage done to the Earth through their production and use. As a result, heavy industry as well as individuals have been slow to employ carbon-reducing measures such as purchasing energy efficient products, using renewable sources of energy (wind, solar or water power) and practicing conservation-based behaviour like bicycling or using public transportation and recycling. However, due to the economic nature of carbon pricing, industry and individuals will become more cognizant of the fossil fuels they use and have a financial incentive to lower their carbon emissions.<sup>18</sup>

Carbon pricing takes two main forms: a carbon tax policy and a cap-and-trade system. To administer a carbon tax, the government sets a price per tonne of emissions and adds that cost to the price of the energy source.<sup>19</sup> In British Columbia, for example, the government has imposed a 4.45¢/litre carbon tax on the purchase of gasoline (July 1, 2010 rate.)<sup>20</sup> Gasoline consumers in the province must now pay the 4.45¢/litre carbon tax in addition to the price of the gasoline and other subsequent taxes.

A cap-and-trade or emissions trading system is a market-based approach to carbon pricing. Under this system the government, or group of governments, sets a yearly cap or limit on the amount of greenhouse gases which can be emitted by industry. The cap is based on one-tonne “allowances” or “permits” which are distributed or sold to covered industrial sectors. Facilities are not allowed to go over their permitted emission allowances; if they do they must purchase additional allowances on the market. Facilities that emit less than their permitted allowances may sell their permit surplus on the market or save them for future use. Overtime the number of allowances distributed will decrease, lowering the level of greenhouses gas emissions and raising the market-value of emission allowances.<sup>21</sup>

On account of the “cap” on greenhouse gas emissions, the one distinct environmental advantage a cap-and-trade system has over a carbon tax policy is that it provides more certainty about the volume of emission reductions which will be generated. A carbon tax policy, on the other hand, requires regular intervention on behalf of the government to ensure that carbon tax levels meet national emission

targets. This may become problematic, especially around election time, when politicians are less willing to increase taxes.<sup>22</sup>

Unlike a cap-and-trade system, a carbon tax policy provides heavy industry and consumers more certainty around energy prices. A carbon tax policy allows government officials to lay out a plan prior to implementation detailing when energy prices will rise and to what extent; thus enabling industry and individuals to plan for the future with more confidence. Due to the market-based nature of the cap-and-trade system, energy prices are liable to fluctuate with the whims of the free-market (when emission allowances are trading at a high price, energy prices will soar, when allowances are trading at a reduced cost, energy prices will plummet.)<sup>23</sup> Proponents of a carbon tax policy also point to the ease at which a carbon tax can be administered. A carbon tax can be implemented quite easily and quickly using many of the administrative structures we have already built into our tax system. Conversely, a cap-and-trade system requires the establishment of an emissions trading market, with subsequent operation guidelines, all of which take time to develop.<sup>24</sup>

Currently in Canada, both Quebec and British Columbia have implemented a carbon tax policy as a way to reduce greenhouse gas emissions. On October 1, 2007, Quebec became the first province in Canada to institute a carbon tax. Quebec's carbon tax covers emissions from the petroleum, natural gas and coal sectors. The tax requires petroleum producers to pay an additional 0.8¢/litre for gasoline and 0.9¢/litre for diesel fuel. Though considered relatively mild in terms of tax rates, at the time of its introduction it was estimated that Quebec's carbon tax policy would cost oil producers annually \$69 million for gasoline, \$36 million for diesel fuel and \$43 million for heating oil. Natural gas distributors were expected to pay \$39 million annually.<sup>25</sup>

On July 1, 2008, British Columbia joined Quebec in instituting a carbon tax policy. B.C.'s carbon tax covers approximately 70% of greenhouse gas emissions.<sup>26</sup> As a way of introduction, the government initiated a four year phase-in period based on a \$10/tonne of carbon emissions with a planned increase of \$5/tonne annually. By 2012, the last year of the phase-in period, the carbon tax is expected to rise to \$30/tonne.<sup>27</sup> Both British Columbia and Quebec set their carbon tax rates relative to the amount of carbon found in each of the taxable fossil fuels (i.e. jet fuel is taxed heavier than propane.)<sup>28</sup> B.C.'s carbon tax is estimated to generate \$1.85 billion by 2012, with all profits being recycled back into the economy through tax credits and lowered personal and corporate tax rates.<sup>29</sup>

In addition to implementing their own carbon tax policy, both British Columbia and Quebec belong to the Western Climate Initiative (WCI), a partnership which seeks to lower greenhouse gas emissions through a multi-regional cap-and-trade system. Other participants include Ontario, Manitoba, Arizona, Washington, Oregon, California, Montana, Utah and New Mexico.<sup>30</sup> By 2015, when the program is set to be fully implemented, over 90% of greenhouse gas emissions<sup>31</sup> are set to be covered under the cap-and-trade system. Emission sources covered include: electricity generation (including those imported into the WCI region), industrial fuel combustion, industrial processes, transportation fuel use and residential and commercial fuel use. The first phase of the Western Climate Initiative program began January 1, 2012 and will cover electricity (and electricity imports), industrial combustion at large sources, and



industrial process emissions for which sufficient measurement methods exist. The goal of the program is to reduce greenhouse gas emissions by 15% below 2005 levels by 2020.<sup>32</sup>

Like the WCI, the European Union's 27 member states, plus Iceland, Liechtenstein and Norway have set up their own Emissions Trading System (EU ETS) based on the cap-and-trade principle. The trading system covers carbon dioxide emissions from power stations, combustion plants, oil refineries, and iron and steel works, in addition to factories that produce cement, glass, lime, bricks, ceramics, pulp, paper and board. In some instances nitrous oxide emissions are also covered.<sup>33</sup> Starting in 2012, the EU ETS will also cover emissions from all domestic and international flights, to or from anywhere in the world, which arrive at or depart from an EU airport.<sup>34</sup> The goal of the EU ETS is to reduce greenhouse gas emissions by 21% below 2005 levels by 2020.<sup>35</sup>

In order to avoid the dangerous consequences of climate change, the Intergovernmental Panel on Climate Change, the world's premier climate science body, states that the Earth's climate cannot rise any more than 2°C above pre-industrial levels. To reach this goal, industrialized nations must commit to lowering their combined greenhouse gas emissions by 25-40% below 1990 levels by 2020.<sup>36</sup> Dr. Marc Jaccard, Canada's foremost climate change economist, has shown that in order to reach the 2°C target, Canada must impose a \$50/tonne carbon price immediately, increasing it to \$200/tonne by 2020.<sup>37</sup>

## 7. Questions for Moving Forward

1. *This paper does not choose between a cap-and-trade or carbon tax system. Do you believe that public justice demands making a specific choice between the strategies of a carbon tax or cap and trade systems?*
2. *Are there more/better guiding principles beyond those mentioned on pages 2–3?*

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<sup>1</sup> John Olthuis, *Peeling an onion: Reflections on CPJ's energy project*, page 22, circa 1977.

<sup>2</sup> CPJ, *Public Justice for citizens, governments and CPJ*, December 21, 2007, <http://www.cpj.ca/en/public-justice-citizens-governments-and-cpj>

<sup>3</sup> Gen. 1:25, "God saw that it was good..."

<sup>4</sup> Gen. 9:10

<sup>5</sup> Creation Stewardship Taskforce, Report, November 2011, page 10, <http://network.crcna.org/content/synod/creation-stewardship-task-force-report>

<sup>6</sup> Ibid, page 11.

<sup>7</sup> Daniel Maguire, *"The Moral Core of Judaism and Christianity,"* 1993.

<sup>8</sup> Sallie McFague, *A New Climate for Theology: God, the World, and Global Warming*, Fortress Press, Minneapolis, 2008, page 15.

<sup>9</sup> Bill McKibben, *The Comforting Whirlwind: God, Job and the scale of creation*, Cowley Publications, Cambridge, Mass., 2005, pages 14 – 15.

<sup>10</sup> Tim Flannery, *The Weather Makers: How We Are Changing the Climate and What It Means for Life on Earth*, New York, HarperCollins, 2005, page 170.

<sup>11</sup> 1 Corinthians 12

<sup>12</sup> Joe Gunn, *Can a public justice lens frame the climate change debate?*, December 14, 2009, <http://www.cpj.ca/en/content/can-public-justice-lens-frame-climate-change-debate>

<sup>13</sup> [http://www.cpj.ca/files/docs/CPJ\\_position\\_statement.pdf](http://www.cpj.ca/files/docs/CPJ_position_statement.pdf)

<sup>14</sup> For this section, CPJ thanks David Thompson, at [www.sustainableprosperity.ca](http://www.sustainableprosperity.ca)

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<sup>15</sup>David Suzuki Foundation, “*Industry Solutions*.” <http://www.davidsuzuki.org/issues/climate-change/science/climate-solutions/industry-solutions/>

<sup>16</sup> The term “carbon pricing” or “carbon tax” is used because carbon dioxide, an end-product of burning of carbon-containing fossil fuels, is the principle contributor of greenhouse gas pollution. However, carbon pricing can also be applied to activities which release other greenhouse gases such as methane (landfill waste sites, agriculture) and nitrous oxide (chemical fertilizers). Pembina Institute and David Suzuki Foundation, “Carbon Taxes: Key Issues, Key Questions,” May 29, 2008, <http://pubs.pembina.org/reports/carbontaxfactsheetv2.pdf>, p.1

<sup>17</sup> Sustainable Prosperity, “Policy Brief: Carbon Pricing, Investment and the Low Carbon Economy” June 2010. <http://www.sustainableprosperity.ca/article168&highlight=carbon%20pricing,%20investment%20and%20a%20low%20carbon%20economy>

<sup>18</sup> Carbon Tax Centre, “Introduction,” March 3, 2010, <http://www.carbontax.org/introduction/>

<sup>19</sup> Matt Horne, *Putting a Price on Pollution*, Pembina Institute, March 3, 2010, <http://www.pembina.org/op-ed/2006>

<sup>20</sup> British Columbia Ministry of Finance, “How the Carbon Tax Works,”

<http://www.fin.gov.bc.ca/tbs/tp/climate/A4.htm>

<sup>21</sup> Ontario Ministry of the Environment, “Participating in Cap and Trade,” January 24, 2011,

[http://www.ene.gov.on.ca/environment/en/category/climate\\_change/STDPROD\\_078899#trade](http://www.ene.gov.on.ca/environment/en/category/climate_change/STDPROD_078899#trade)

<sup>22</sup> Pembina Institute and David Suzuki Foundation, “Carbon Taxes: Key Issues, Key Questions,” May 29, 2008, <http://pubs.pembina.org/reports/carbontaxfactsheetv2.pdf>, p.2

<sup>23</sup> Carbon Tax Center, “Tax vs. Cap-Trade,” May 12, 2009, <http://www.carbontax.org/issues/carbon-taxes-vs-cap-and-trade/>

<sup>24</sup> Pembina Institute and David Suzuki Foundation, “Carbon Taxes: Key Issues, Key Questions,” May 29, 2008, <http://pubs.pembina.org/reports/carbontaxfactsheetv2.pdf>, p.2

<sup>25</sup> CTV News Montreal, “Quebec imposes carbon tax on energy producers,” June 7, 2007,

[http://toronto.ctv.ca/servlet/an/local/CTVNews/20070607/quebec\\_carbontax\\_070607?hub=MontrealHome](http://toronto.ctv.ca/servlet/an/local/CTVNews/20070607/quebec_carbontax_070607?hub=MontrealHome)

<sup>26</sup> Matt Horne, *Pembina recommends ways to strengthen B.C.’s carbon tax*, Pembina Institute, January 28, 2010, <http://www.pembina.org/media-release/1962>

<sup>27</sup> British Columbia Ministry of Finance, “Budget and Fiscal Plan 2008/2009-2010/2011,” February 19, 2008, [http://www.bcbudget.gov.bc.ca/2008/bfp/2008\\_Budget\\_Fiscal\\_Plan.pdf](http://www.bcbudget.gov.bc.ca/2008/bfp/2008_Budget_Fiscal_Plan.pdf), p.12

<sup>28</sup> British Columbia Ministry of Finance, “How the Carbon Tax Works,”

<http://www.fin.gov.bc.ca/tbs/tp/climate/A4.htm>

<sup>29</sup> British Columbia Ministry of Finance, “Budget and Fiscal Plan 2008/2009-2010/2011,” February 19, 2008, [http://www.bcbudget.gov.bc.ca/2008/bfp/2008\\_Budget\\_Fiscal\\_Plan.pdf](http://www.bcbudget.gov.bc.ca/2008/bfp/2008_Budget_Fiscal_Plan.pdf), p.1

<sup>30</sup> Western Climate Initiative, “Clean Energy: Creating Jobs, Protecting the Environment,” Brochure, May, 2010, p.3

<sup>31</sup> The WCI cap-and-trade system will cover carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride emissions.

Western Climate Initiative, “The WCI Cap and Trade Program,” 2010, <http://www.westernclimateinitiative.org/the-wci-cap-and-trade-program>

<sup>32</sup> Ibid

<sup>33</sup> European Commission Climate Action, “Emissions Trading System Policy,” November 15, 2010,

[http://ec.europa.eu/clima/policies/ets/index\\_en.htm](http://ec.europa.eu/clima/policies/ets/index_en.htm)

<sup>34</sup> European Commission Climate Action, “Reducing emissions from the aviation sector,” January 4, 2011,

[http://ec.europa.eu/clima/policies/transport/aviation/index\\_en.htm](http://ec.europa.eu/clima/policies/transport/aviation/index_en.htm)

<sup>35</sup> European Commission Climate Action, “Emissions Trading System Policy,” November 15, 2010,

[http://ec.europa.eu/clima/policies/ets/index\\_en.htm](http://ec.europa.eu/clima/policies/ets/index_en.htm)

<sup>36</sup> Pembina Institute and David Suzuki Foundation, “Climate Leadership, Economic Prosperity: Final Report on an Economic Study of the Greenhouse Gas Targets and Policies for Canada,” 2009,

<http://pubs.pembina.org/reports/climate-leadership-report-en.pdf>, p. v

<sup>37</sup> Canadian Centre for Policy Alternatives, “Getting the Job Done Right: Alternative Federal Budget 2010,”

[http://www.policyalternatives.ca/sites/default/files/uploads/publications/reports/docs/AFB%202010%20Main%20Budget%20Document\\_0.pdf](http://www.policyalternatives.ca/sites/default/files/uploads/publications/reports/docs/AFB%202010%20Main%20Budget%20Document_0.pdf), p. 103