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## Prime Minister Harper addresses the Canada-

U.K. Chamber of Commerce in London

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Good afternoon ladies and gentlemen. Thank you, High Commissioner Wright, for your kind introduction. Greetings to Minister Wicks who was also seated with me the last time I was here, and to High Commissioner Cary. I'd also like to acknowledge my colleagues, John Baird, Canada's Minister of the Environment, and also Member of Parliament Joe Comuzzi who's with us today. Thank you to your President, to Michael and to all the sponsors of the Canada-UK Chamber of Commerce for giving me this opportunity to speak to you and to your distinguished head table and guests once again.

It's been almost two years since my last visit here and, as was mentioned, a lot has happened since then. One of the changes that strikes me most is that as head of a government in office for less than two and a half years, I'm now already the third-longest serving leader in the G8. In a political context, that tells you something about the pace of change, at least the pace of change in the democratic world. I was recently at an international conference -- there were some 60 leaders there -- and I should tell you this, High Commissioner, I had a briefing book from your department and it went through all the various leaders, and one of the things I just happened to glance at quickly was how long they'd been in office. Not a lot of them had been in much longer than me, and most of those came from countries that were dictatorships, so maybe that tells you something. In any case, other changes have been rapid as well. Much has changed in the world economy; whereas the public mood was pretty bullish two years ago, today we face considerable uncertainty in the world economy. But I'm pleased to report the Canadian economy has shown great resilience. Our fiscal position remains the best in the G8 with the largest budget surplus as a share of GDP and the lowest debt burden. Our unemployment remains low and our employment rate is in fact at a record high. Interest rates are low, inflation is low and stable and household disposable income has been rising steadily. In fact, the household government and banking financial sectors all have generally pretty strong balance sheets in Canada.

Canada's economic resilience is partly due to our important moves in the area of taxation. We are lowering taxes of all kinds: personal, family, consumption and business. Under measures introduced last fall, the tax burden at the federal level in Canada will fall in the next few years to its lowest level since the early 1960s. In fact, the combined federal and provincial rate of corporate taxation will be the lowest in the G7 by 2012 and we are on track to have the lowest tax rate on new business investment in the G7 by 2010, so there is no doubt that these are good times for Canada. The country has also been helped clearly by the global commodities boom. As well, the last time I addressed you, I did point out to you that Canada is an emerging energy superpower and obviously that has assisted us as well. I'll just remind you of the facts there. Our country is seventh in world oil production, with the second largest proven reserves in the world. We're 11th in world coal production, third in the production of natural gas, first in the production of hydroelectricity and first in uranium, and of course, Canada -- this is important -- Canada is the only growing supplier of energy commodities that is reliable, stable, secure, democratic and market-oriented. That has not changed, but much else has changed in the energy landscape since I last addressed this organization. Whereas in recent years concerns here and throughout Europe have been almost exclusively on the environmental impact of hydrocarbons and the need to lower their consumption, on this trip I have found the focus of public worry has been completely different, and that is of course the high cost of energy and in some cases the taxes which are helping to push those prices up. However, it has to be said that both of these problems point to the same solution, and that is the transition of the world to a much lower dependence on hydrocarbon energy in the future.

Let me just be clear on this. Canada intends to be not just an energy superpower, but also a clean energy superpower, because the reality of climate change is upon us. I'm not going to belabour that. Many others can do that better than I can do. Let me just say this. If a decline in the use of hydrocarbons is environmentally necessary, it's important to understand that it is also going to be economically unavoidable in future decades. Indeed, the end of the era of low-cost hydrocarbons is at hand. I would draw your attention to the chart on the screen. The global supply of low-cost oil is diminishing.

This chart, based on International Energy Agency data, shows that the growth in demand is outpacing the growth in supply, even in the most conservative demand projections. This is not going to change. All of the easily exploitable large pools of so-called light sweet crude have probably been discovered. The oil industry will be forced to look harder, dig deeper and spend more to find crude oil that will be ever more difficult to refine. At the same time, demand for energy is surging to new heights, led by rapidly industrializing countries like China, India and Brazil. You don't have to be an economist to see where this leads us over a long period of time. Just as an example, when I talked to you a couple of years ago, the average price was a little bit below \$75 a barrel and we all thought that was very high. Of course, today's price is now around \$130 a barrel. These are the economic and the energy realities of our time. Now, from an environmental perspective, the supply crunch ought to be a godsend. The more expensive oil gets, the more competitive cleaner, greener energy alternatives will become and the more imperative conservation will become. Yet, even with staggering price increases, no mass swearing off of hydrocarbons is occurring. The extraordinary concern about climate change has not to date led to the supply of enough clean, widely available, reasonably priced alternatives to satisfy the exponential increases in global energy demand. So this is our challenge. Let me tell you how Canada is trying to meet this challenge. First of all, bluntly put, ladies and gentlemen, we are playing catch up.

As this particular slide indicates and demonstrates, despite the commitments our predecessors in government made under the Kyoto Protocol, Canada's greenhouse gas emissions continued to rise completely unrestrained from the early 1990s onward. When we came to office in 2006, Canada's emissions were almost 29 per cent higher than our Kyoto target and on track to continue to rise very rapidly. In fact, if Canada had continued on the business-as-usual path we were on, our emissions would be in the range of 65 per cent higher than our Kyoto target by 2020. Now, our country was not alone in failing to act. Many countries, including Kyoto's signatories in Europe, like Italy, Spain and Ireland, failed to achieve significant emissions reductions during the same period. In fact, for the most part the only countries that achieved serious reductions were those that suffered industrial downturns or transformations largely unrelated to any plan for emissions reduction.

We have taken two lessons from this. First, Canada does have a duty to act. Second, we cannot repeat our previous error. We must set targets that are achievable. We started by asking ourselves some hard-headed questions, like what are realistic emissions reductions targets for Canada and how exactly will we achieve them? In answering this question, we quickly concluded that the key to this is ensuring that we balance emissions reductions with the impact of such actions on the country's economy. Now, I know that in some circles it is not politically correct to suggest that environmental targets must be balanced with economic imperatives. It is true that economic growth on our planet cannot be sustained without better environmental preservation. But it is equally true, as the current reaction to high energy prices in Europe is starting to show, that environmental progress will never be achieved unless the economic needs of the population are being met. So our targets need to be realistic, practical and achievable. But to be clear, we still must have targets. Just because the price of oil is now causing its own political pressures doesn't mean we can abandon all effort to combat climate change.

Once again, the answer as we have said all along is the same as I said the last time I was here, the same as when prices were lower: it is to find an environmental and economic balance in our targets and our policies.

These are the guiding principles of our national plan, which we have titled Turning the Corner. As you can see from this slide, our targets are ambitious, but they are realistic. We will in a relatively short period of time restrain and reverse the growth of GHG emissions. We intend to lower Canada's emissions 20 per cent below 2006 levels by 2020 and aim for a reduction of 60 to 70 per cent by 2050. In fact, our midterm 2020 target is -- going forward -- one of the most aggressive emission goals in the world.

For the first time ever, we are establishing a regulatory framework that will impose mandatory emissions

reduction targets across the spectrum of Canadian industry. Industries will be expected to produce 18 per cent less greenhouse gasses per unit of production in 2010 compared to 2006, and those targets will get tougher by two per cent each year, each and every year. This will lead – and this is important – to absolute reductions in emissions, not just reduce carbon intensity. It will lead to an absolute 20 per cent reduction, as I've said, by 2020. Canadian industries that do not meet their emission reduction targets will be required to do one of three things. They will have access to a domestic carbon trading system which will include offset credits for non-industrial practices that reduce emissions. We eventually hope to participate in a North American trading regime, depending on what action the United States takes, and I'll talk about that in a second. We likewise hope to participate someday in a more mature and robust emissions trading regime internationally. As well, industries will have access to credits through the United Nations Clean Development Mechanism.

Finally and most importantly, industries that do not meet their target can pay into a fund that will be used to develop and deploy new clean energy technologies. In other words, we want to use economic incentives to directly stimulate the technological transformation that will be required to balance emissions reduction with economic growth. Let me just say a quick word about the oil sands, which has been one of the largest growth sectors in our greenhouse gas emissions.

Canada's industrial regime will contain specific and more demanding targets for the oil sands. First, last year we began removing the special tax incentives brought in by our predecessors that actually encouraged and subsidized the growth of the traditional oil sands industry. We are phasing those out and replacing them with incentives for the deployment of green technology only. Second, our targets in the oil sands go well beyond the standards for other industries. For new oil sands projects, we will require emissions reductions equivalent to what would be achieved through the implementation of carbon capture and storage. Carbon capture and storage is a new technology we're pioneering in Western Canada, one that I know Britain is also investing in. It involves collecting greenhouse gases from industrial processes and pumping them deep underground, typically into the same formations the hydrocarbons came from in the first place. Pilot projects are now underway in the province of Saskatchewan and elsewhere and we are producing some very positive results that we believe could someday be applied globally. But again, and this is important, these targets for the oil sands are not dependent on the actual deployment of the technology. We will require the equivalent reductions regardless. The same standard, by the way, will also be required of new coal-fired electricity generation.

This effectively means that after 2012, no new dirty coal-fired electrical plants can come online in Canada and that new oil sands operations will only be permitted if they can massively reduce their emissions. As we negotiate an international climate change treaty, we believe strongly that these are standards that should also be applied globally. I should mention that while our plan will effectively establish a price on carbon of \$65 a tonne, growing to that rate over the next decade, our Government has opted not to apply carbon taxes.

Carbon taxes will establish certainty about price, but not about outcomes. The central purpose of our plan is to create certainty about emissions reductions, not to raise revenue for the government. Our plan will compel industry not just to pay for their carbon emissions but to actually reduce them. Industry has told us they want and they need certainty. Our framework provides that. Clear targets, realistic timelines, fair across the board application. Now industry knows what they need to do and when they need to do it.

But industry accounts for only half of Canada's greenhouse gas emissions. We must address other key areas of our economy. That's why, for example, we're mandating a five per cent renewable fuel content in gasoline by 2010. We're imposing stringent automobile fuel efficiency standards starting with the 2011 model year and of course we're undertaking many initiatives in the development of alternative fuels and energy efficiency. Ladies and gentlemen, let me just summarize it this way. We are very proud of the plan that our Government has put together. I think it contains elements which could make a substantial contribution to lowering greenhouse gas emissions worldwide, and I think it demonstrates that Canada is now a reliable ally in the fight against global warming. Our country can lead on this issue in other ways. As the largest producer of uranium, we can contribute to the renaissance of nuclear energy, a no-emissions source that will be expanding here in Britain and around the world. In Canada, we are on track to produce 90 per cent of our electricity from non-emitting sources such as hydro, nuclear and wind by 2020. We have tremendous capacity to develop more non-emitting power sources that can help our big neighbour to the south lower its carbon emissions.

But frankly, I think the biggest thing Canada can and must do to lead on this critical issue is to continue making the argument strongly for global participation in the fight against climate change. Look, when all is said and done, Canada produces only two per cent of the world's greenhouse gas emissions. So the true environmental benefit of our action plan will only be realized if we are part of an effective and truly international emissions reduction regime. The fact is that the entire developed world acting alone can barely make a dent in global greenhouse gas emissions. Countries which accepted targets under the Kyoto protocol today account for less than 30 per cent of global emissions, and this is going to inevitably and continually decline in the years to come. China is already likely the world's largest emitter of greenhouse gases and emissions from other major developing countries such as India and Indonesia are also growing rapidly. I've put up some trend lines here. The red is the current trend line. The blue is the EU proposal. If that was adopted, it's frankly we believe more stringent than we could meet, we would still see a rise in emissions. But even if the developed world completely eliminated its greenhouse gas emissions, 100 per cent, which obviously is not attainable, the purple line is the upward trend. Global emission in the next 50 years, even under that scenario, would still double.

That's why we feel so strongly that the next UN protocol on climate change must be truly global. It must include binding targets for all the world's major emitters, including China and the United States. Now, let me talk for a moment, if you don't mind, about the United States. As Canadians, we share not only a continent, but as you know, a highly integrated economy with the Americans, so we watch the US political scene pretty closely. The good news is that all the major presidential candidates are indicating a considerable new openness to tackling their greenhouse gas emissions. Between a new president and the next Congress, we are confident that we will see a will to make real domestic progress in the United States on the issue of emissions and climate change. But let me tell you, it will be realistic progress. We will never, never see the United States ratify an international protocol that does not require genuinely global action. That is, we will never see the United States ratify an international agreement if that agreement both hurts it competitively and fails to reduce emissions internationally. Remember that the United States Senate rejected Kyoto 95 to 0, and at that time, emissions from developing countries were far smaller than they are today.

No one is suggesting the solution is a one-size-fits-all approach for every country. Developed countries like ours can afford to do more and do it faster. Differentiated strategies are welcome and are necessary. But if we want non-Kyoto countries like the United States, China and other major developing economies to be part of the solution, then we will have to bring them all into the solution or the reality is that none of them are going to be in the solution, and if that happens, all of our efforts, in Canada, in Europe and elsewhere, at stopping climate change, while noble, will be largely ineffective. I believe the major emitters meeting in Japan at the time of the G8 this summer will give us an indication of whether or not this particular realization is hitting home.

Ladies and gentlemen, the task before us is daunting. The threat of climate change is real, but the economics are difficult and the politics are much easier said than done. But Canada will do its part. Even the European Union, despite its best efforts, has achieved only modest emissions reductions so far. There is, however, a powerful gathering tide of political will in all of our countries to do better, and there are brutal supply and demand realities that will force change with or without that political will. Canada will do its part. Going forward, our Turning the Corner plan will achieve results very similar to the benchmarks set by the European Union between now and 2020. We will also advocate at home and abroad a moratorium on new dirty coal power plants, better control on heavy oil operations, the peaceful use of nuclear power and targets for clean electricity generation. But the bottom line is that global warming is a global problem, and we will not solve it unless our environmental plans are economically balanced and unless the whole world joins the cause. That is my message to you. Thank you very much. Merci beaucoup, and thank you once again for your invitation and your attention.