

# FRONT PORCH PERSPECTIVE: COP21

**By Stephen Somerville**

By the time you read this column, the Prime Minister and his entourage of provincial premiers and territorial leaders will be in Paris, France for the Conference of Parties (COP) 21 discussions regarding Climate Change.

This will be a very important conference.

According to the Ontario Ministry of Environment and Climate Change website: "Scientists and the global community agree that greenhouse gas emissions must be drastically reduced to avoid a 2 degree C rise in average global temperatures. If the world does not take strong action within the next decade, we are on track to see a 4 degree C rise, at which point damage from climate change would be irreversible."

The provincial premiers have all been scrambling to announce their respective plans for reducing emissions prior to going to Paris. We have seen Alberta introduce measures to both reduce its reliance on coal-fired electricity and adopt an economy-wide carbon tax, which is a set price for a tonne of CO<sub>2</sub>. This price is currently set at \$20/tonne, raising to \$30/tonne in 2017.

Ontario has gone with the cap and trade system, which doesn't include a set price per tonne; the price will be determined by the market during the auctions of the carbon allowances.

Under the Western Climate Initiative (WCI) system (which Ontario will follow in order to be able to join with California and Quebec in 2018), there is a floor price and essentially a ceiling price. Right now, under the WCI, the price is around \$15 CDN/tonne, but the price will increase as there are less allowances available as the cap for emissions decreases over time.

In researching this issue I came across a great power point presentation by Bloomberg New Energy Finance, entitled, "What the COP21 Negotiators Need to Know".

According to the presentation, "When delegates meet at COP21 in Paris, it is crucial that the negotiations are well informed with independent opinion and analysis. This report is not intended to be a comprehensive guide" instead, it takes aim at a select number of issues that are often the subject of misinformation and contention within the climate negotiations."

As a public service, here are some of the high-lights of the presentation, along with some of my own commentary liberally sprinkled in.

First, the intended nationally determined contributions don't get you to 2 degrees C. The pledges by the 160 countries that together account for 95% of global emissions are not enough to put the world on a 2 degree C trajectory.

Paris is just another step, albeit a very important one, in negotiating binding emissions that get us below 2 degree C.

Second, some targets are more ambitious than others. This goes without saying. India, China and the EU's targets are among the least ambitious while South Korea, Brazil and Mexico are among the most ambitious. Canada falls "appropriately enough" in the moderately ambitious category.

Third, India and southeast Asia are key to curbing future global emissions growth. India and southeast Asia currently account for less than 20% of global emissions from the power sector, but this is set to dramatically change over the next 25 years as they build a large number of coal-fired generation plants.

Fourth, renewable energy is getting cheaper. Renewable energy technologies, particular solar PV and wind, are getting cheaper and in many cases are competitive with fossil fuel for power plants in many parts of the world.

Fifth, fossil fuels will be a casualty of the low-carbon evolution, regardless of Paris. Energy efficiency gains and greater penetration of wind and solar will eat into demand for coal and natural gas in the power sector.

This impact is not being adequately recognized by the fossil fuel industry or by the International Energy Agency (?IEA?).

Bloomberg expects power sector coal and gas demand to be below the forecasts made by BP, EXXON, Statoil, Shell, Gazprom and the IEA.

This point, if true, has huge ramifications for Canada's energy industry, especially in western Canada. Bloomberg is basically saying that many investments in these types of projects could be stranded because there won't be a demand for the resulting product or their cost will be too high vis-a-vis the alternatives.

Sixth, and finally, economics alone will transform the energy sector, but much greater action will be needed to reach the 2 degree C. Bloomberg predicts that the share of fossil fuels in power generation will peak around 2025 and begin to slowly decline thereafter. Renewables will dominate capacity additions as falling technology costs drive investment into solar and wind even without additional low-carbon policy support.

Such a high level renewables growth will cause global power sector emissions to decline. This will be far from enough to keep the

world on a 2 degree C pathway, however.

Dealing with climate change poses serious problems to our policy makers and publicly elected officials because as they set binding emission targets some of our industries will face serious hardship while others will flourish. Making the transition as seamless and painless as possible for our economy will be important.

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