

Don't avoid the carbon tax; Transformation Time to meet the levy head on and realize its impact on the economy

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Byline: Dave MacLean Telegraph-Journal

The head of the industry group representing Canada's natural gas distributors says there's no way of avoiding a carbon tax and it's best to just go forward and start dealing with that inevitability.

Mike Cleland, president and CEO of the **Canadian Gas Association**, says it's time to start looking at the effects such a levy will have on the country's economy and on consumers.

"We're talking about a fundamental transformation of the economy," he said. "More fundamental than anything we've seen since the Second World War. And that can't possibly be costless.

"It's going to raise energy costs, there's no getting away from it. If we want the public to accept carbon pricing, we're not going to do it by trying to fool them."

Cleland made the comments after speaking at a morning session of the annual meeting of the Canadian Association of Members of Public Utility Tribunals at the Saint John Trade and Convention Centre.

He said the National Roundtable on the Environment and the Economy had issued a report recently that suggested an average carbon price of \$100 per tonne by 2020 would be required to achieve current targets.

That, he explained, was the equivalent of having \$5 a gigajoule added to the price of natural gas, more than today's market price for natural gas, or about \$100 a megawatt on coal-fired power.

"The exact numbers don't matter," he said. "What matters is it's big - it's a lot, a huge challenge.

"One way or another, we're going to have to cause those changes to happen, we're going to have to get investment dollars to make them happen and in the short term at least, it's very hard to see how that isn't going to raise the cost of energy, to some degree.

"There are ways of making that manageable. There are ways of offsetting the impact on low-income consumers. There are ways of dealing with competitiveness impacts. But we need to get on with it and if we try to mask that, if we try to hide that fact, we're just never going to get there."

Cleland observed a marked contrast in the approach to carbon pricing used by the Liberal party in two recent elections - the federal election last fall that saw Stephane Dion's Liberals lose seats in Parliament after banking on their Green Shift plan and the British Columbia Liberals who won a third term under Premier Gordon Campbell with an increased majority.

"I think the good lesson from B.C. is that the fact the government introduced it and at the end of the day was not punished for it," he said. "I think the lesson for the (federal) Liberals was that they were trying to drive something like that through an election campaign, where it is utterly partisan and very much driven by sound bites, and that's not the smartest way to go about something that requires some thought and reflection.

"Let it emerge inevitably in the course of the electoral process, but don't put it front-and-centre in the electoral process."

Cleland said it would be wise to introduce such a tax at a low rate, to allow consumers to adapt. It would also be more palatable politically.

"You can't possibly do that overnight without causing real damage to the economy and without every politician around being tossed out of office," he said. "If you bring it in at a lower level, it would be easier to accept."

For example, Cleland said, a natural-gas customer might be able to offset a higher cost of gas with a more efficient furnace.

"There are options out there," he said. "If we can invest in new options, then five or 10 years down the line, there will be new possibilities so that when people change their furnace or re-insulate their homes, they'll have an option to get their cost back down.

"But if we hit everybody with some increase, overnight, we're all in trouble. "

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