TOWARD NORTH AMERICAN COOPERATION ON CLIMATE CHANGE AND ENERGY

Velma McColl

The election of Barack Obama to the US presidency and the re-election of the Harper government in Canada occur at a moment when two major North American issues, climate change and energy, are converging into one. "No country," writes energy and environmental consultant Velma McColl, "can be serious about climate change until it addresses and transforms the ways that energy is used, produced and conserved by its citizens and industries." As she points out, "our continental energy market is already integrated," with Canada supplying 100 percent of America's imported electricity, 82 percent of its natural gas imports and 18 percent of its imported oil.

L'élection de Barack Obama à la présidence des États-Unis et la réélection du gouvernement Harper au Canada surviennent alors que convergent deux enjeux majeurs pour l'Amérique du Nord : les changements climatiques et l'énergie. « Aucun pays ne peut lutter sérieusement contre les changements climatiques sans viser à transformer les manières dont ses industries et ses citoyens utilisent, produisent et conservent l'énergie », écrit Velma McColl, consultante en énergie et en environnement. « Le marché nord-américain de l'énergie est déjà intégré », observe-t-elle, le Canada fournissant 100 p. 100 de l'électricité, 82 p. 100 du gaz naturel et 18 p. 100 du pétrole qu'importent les États-Unis.

There's a new convergence of forces in North America that is leading to two profound outcomes. First, it will become impossible to separate energy policy from increasingly serious climate change initiatives; and second, the integration of North American markets — trade and energy — will force policy harmonization between Canada and the US. Underlying both is the worsening global economic crisis and questions about how governments in both countries will respond.

It's clear that a serious and integrated continental policy response to deal with emerging energy and environmental pressures would enhance Canada's competitiveness in the global economy, speed the needed transformation of our energy systems and increase our ability to reduce the greenhouse gases (GHGs) associated with climate change. We have a couple of choices to develop continental policy — continue on the path we're on, likely leaving Canada behind with fractured and incoherent policy frameworks, or seize the opportunity created by changes under President-elect Barack Obama's administration.

There is no question that the political environment has changed dramatically in the last three months with a stronger Conservative minority here and a historic new US president-elect. Both leaders are dealing with global economic and financial volatility where capital markets are contracting, jobs are being lost, and stock markets and the price of oil are plummeting.

Despite unprecedented intervention by governments, our economies have not yet stabilized. The "fundamental truths" of the free market have been challenged and politicians, no matter their ideology, are now saying that unprecedented times call for unprecedented measures, including huge "strategic" deficits. North America faces particular challenges trying to contain the fiscal and political fallout.

Our proximity to the US has always been both a blessing and a curse. Our identity is affected by our American cousins as we look south sometimes with envy, sometimes with disdain. On a whole range of bilateral policy issues, we make a calculation based on a mixture of rational evaluation of the substance and cynical political judgment. Many have said that Canadians are more comfortable defining themselves in contrast to, rather than in alignment with, the US.

We also understand that the Canada-US relationship dominates our economy. Before the slowdown, daily trade stood at $1.6 billion each and every day with goods and

services flowing in both directions. In 2007, 65 percent of Canada's imports came from the US and 76 percent of Canada's exports went to the US. After nearly 20 years of free trade, we clearly benefit from a more or less integrated North American market. Today, we face a series of choices about how closely to align with the American path to economic recovery and energy security.

During the US election, it was clear that these dynamics were set to change, regardless of who won. For Obama, energy security was central to his campaign, and the economic crisis seemed to increase, not decrease, the political imperative to drive a "green" economic recovery — seeking to create "five million new green jobs that pay well and can't be outsourced." In late November, he reinforced his commitment by noting that his presidency "will mark a new chapter in America's leadership on climate change."

Literally overnight, the continental game on climate and energy changed. On November 5, the day after Obama's election, Environment Minister Jim Prentice signalled an openness to begin an immediate dialogue on a North American carbon cap-and-trade system. He also linked the conversation to Canada's strengths as a reliable, stable and secure supplier of energy. This linkage sought to make a virtue of necessity and to position Canadian energy as "friendly" as opposed to "foreign."

Many saw this as a cynical political gesture by an Alberta minister protecting the much-maligned oil sands. It is actually smart strategy — on many levels — because energy and climate change are two sides of a single coin. No country can be serious about climate change until it addresses and transforms the ways that energy is used, produced and conserved by its citizens and industries.

Difficult but necessary integrated strategies on energy and climate change require a certain political courage and, for Canada, an ability to push beyond our conventional wisdom. Effective policies must be designed to respond to both issues simultaneously — and we need the patience to recognize that some solutions will be implemented over years and decades, not weeks and months.

There is no question that the Canadian government's opening salvo must be backed up by substance — and some clear strategies for getting Washington's attention — but a coordinated North American approach is clearly in our interests.

We have a couple of choices to develop continental policy — continue on the path we're on, likely leaving Canada behind with fractured and incoherent policy frameworks, or seize the opportunity created by changes under president-elect Barack Obama's administration.

While much of our economic and fiscal policy is linked, what is not well understood is that our continental energy market is already integrated. Canada is the number one supplier of energy to the United States, contributing 100 percent of US electricity imports, 82 percent of US natural gas imports and 18 percent of US petroleum imports. In terms of infrastructure, we already have 35 natural gas pipelines, 22 oil product pipelines and 51 transmission corridors that move energy across our common border. There are major new long-term projects on the books including the Mackenzie and Alaska natural gas pipelines, transmission lines from Newfoundland to the eastern seaboard and liquefied natural gas moving by ship to either US coast. In fact, the north-south trade in energy and electricity is far greater than anything we move east-west between our own provinces.

Over the last two years, it has been difficult politically for the Conservatives to profile any public alignment with President Bush's administration on energy without ringing alarm bells in a minority Parliament. They wisely avoided the optics of a Texan and an Albertan cutting a deal on energy. Prime Minister Stephen Harper also distanced himself from President George W. Bush on climate change. Since 2006, the bilateral relationship has been one of respectful, low-key management of cross-border trade and security.

A North American approach is not a way to delay climate change action in Canada. Rather, properly framed, it represents an opportunity to get to the heart of some tough political and economic issues necessary to address climate change.

Canada and the US share similar energy consumption patterns and both predict that demand for energy will rise over the next two decades. Both have committed to significantly reducing the GHG emissions associated with producing and using energy. Both economies have serious challenges to convert existing electricity, manufacturing and energy production into cleaner and more energy-efficient processes and to modernize existing infrastructure such as electricity grids, buildings and municipal systems. Both countries are seeking to deploy renewable energy technologies, build new nuclear power and research projects in clean coal and carbon capture and storage. Each of these will be expensive and capital intensive.

We should debate what the transformation of our respective energy systems will look like — moving from coal to natural gas, nuclear or hydro; introducing ways to store significant GHG emissions underground; diversifying electricity grids for renewables; or reducing overall energy demand. Different jurisdictions will choose different combinations but at least now that the US is taking action, Canadian companies know they are not alone in facing costs and investment tradeoffs.

As we look at a new mix of energy, we have to be aware of our existing investments. In its 2008 report, the International Energy Agency (IEA) points out that delivering deep emissions cuts over the next 10 years means some hard realities for the early retirement of capital stock. For example, "three quarters of projected output of electricity worldwide in 2020 comes from power stations that are already operating." Current estimates suggest that between now and 2030, $26.3 trillion needs to be invested globally in energy supply infrastructure.

President-elect Obama has acknowledged this technology challenge, promising $150 billion over 10 years for investments in clean energy. He implies that there will be a transition period when government support is needed, in cooperation with the private sector, to accomplish a generational change in energy infrastructure. The US will also push its trading partners in this direction, particularly China and India.

In Canada, we do not yet have a policy of this magnitude although the federal government has made technology investments through Sustainable Technology Development Canada and its ecoEnergy programs. Alberta has offered $2 billion to partner on significant carbon capture and storage projects. More is needed if we are going to keep pace.

By viewing the "greening of the economy" as part of its fiscal stimulus and recovery plan, the new US government is also positioning itself to take advantage of an expanding global clean technology market. Worldwide investment in clean energy is projected to be $100 billion by 2009 alone. Canada has not yet realized its potential in this area. As an example, looking at venture capital investment in North America in 2005, clean-tech start-ups in the US attracted $1.4 billion and Canadian companies only $233 million.

The current global financial crisis will force political leaders in Canada and the US to inject a note of realism into any spending or regulatory proposals on climate change going forward. But this is not a repeat of the 1970s, when high oil prices brought an initial determination for America to lessen its dependence on foreign oil, but when the price of oil dropped again, Americans changed the channel. Every US president since Richard Nixon has paid lip service to the theme of energy security while achieving precious little.

The convergence of political, economic and environmental factors is different this time.

Witness the unfolding dynamic in the auto sector in the US and Canada. Today there is a public and political expectation that if the sector is to receive economic support through this crisis, it must shift to more climate-friendly product lines.

Given the new North American political and economic contexts, Environment Minister Prentice is going to have to revise Canada's domestic "Turning the Corner" framework to match these realities. Again, this cannot be an excuse for inaction. However, the existing regulatory approach does not yet go far enough to address Canada's domestic technology and energy challenges or envision a continental cap-and-trade system or new North American carbon market. A reworked policy is essential for Canada to achieve any meaningful level of GHG reductions by 2020.

The fundamental question we should be asking about any policy or regulation is how quickly it accelerates the transition of our economy to low-carbon, low-waste production. The IEA acknowledges that appropriate financial incentives and regulatory frameworks that support an integration of energy security and climate policy goals are the only ways to achieve a global solution.

The Canadian government must initiate a comprehensive strategy to engage domestic stakeholders and provinces. It must protect Canadian interests while an eager — and possibly protectionist — US House and Senate debate their options. We need to define the grounds for a serious negotiation that demonstrates both Canada's strategic role in North American energy security and the benefits of cooperation on climate change.

A few words of caution. Canada must act aggressively to protect our right to tailor the Canadian approach within North America to our particular circumstances, laws and federal system. We are not going to adopt the US system wholesale. The design of a cap-and-trade system has far-reaching economic implications and raises questions including how targets will be set, what sectors will be covered and, significantly, what price will be put on carbon. It also has serious limitations for incenting major technology, as the Europeans have learned.

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On the home front we are going to have to address two other issues.

The first is our aversion to a federally-led conversation about energy policy. As a leading energy-producing nation, it is ironic that we have paralyzed ourselves politically over the combination of three little words — national, energy and program. While it was almost 30 years ago that they were used in fatal combination, the National Energy Program remains a rallying cry

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Wind turbines in Quebec can produce thousands of megawatts of green electricity, some of it for export to the northeastern US. Canada already supplies 100 percent of America's electricity imports, as well as 82 percent of its imported natural gas and 18 percent of its oil imports. In energy, as Velma McColl writes, the two North American economies are already integrated.

for Ottawa to back off and leave provinces alone to manage their own energy resources. Alberta bears the deepest scars and for years, no federal politician, particularly no Liberal, wanted to step onto this terrain.

Once the Kyoto process started, energy policy took a back seat to the federal role in climate change regulation, and that conversation has not been much better. More recently, leading western thinkers are suggesting it is time to move on. Roger Gibbins of the Canada West Foundation has written an eminently sensible 10-point plan to lay out the case for national policies and approaches.

Flowing from that dilemma is the second challenge — finding consensus on energy and climate change along with partners in Confederation. Right now Canada has a regulatory patchwork of no fewer than eight independent approaches that risks both competitiveness and environmental integrity. We have also seen the rise of the Western Climate Initiative, a north-south coalition of more than seven states and four provinces to find a common approach to regulation, push their respective federal governments and seek economic development opportunities in the green economy. Before we get serious with the Americans, we will need to get our domestic house in order.

Over the last two years, quietly and mostly on foreign soil, Prime Minister Harper has championed Canada's position as a global energy leader — first in hydroelectricity and uranium, third in the production of natural gas, seventh in oil and eleventh in coal. He has also emphasized that we can be a "clean energy superpower" and has supported the importance of biofuels and renewables to Canada's future. The Speech from the Throne included a call for Canada to produce "90 percent of Canada's electricity [to] be provided by non-emitting sources such as hydro, nuclear, clean coal or wind power by 2010." This is a serious stretch target and will require the kind of major capital investments described earlier.

This economic crisis has emphasized that Canada cannot judge the horizon by looking only within its borders. This is certainly true on the integration of energy and climate change. Our next suite of policies and engagement with the US needs to seek alignment and capitalize on the opportunity in North America and beyond.

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YES, WE CAN, NOW! A FIERCE URGENCY

John Parisella

The Obama campaign really began on the stage of the Democratic convention in Boston in 2004. John Parisella was there doing television commentary. Barack Obama's keynote speech "electrified" the convention, and delegates all thought they were witnessing something special — the arrival of a future presidential candidate. But few would have thought then that his arrival would occur so quickly, in the very next presidential cycle. Here are the personal reflections of a professional political operative who became a volunteer in Obama's movement for change.

La campagne de Barack Obama a véritablement commencé en 2004, lors de la convention démocrate de Boston. John Parisella s'y trouvait en tant que commentateur pour la télévision. Le discours d'Obama avait électrisé l'auditoire, et tous les délégués ont compris qu'ils assistaient à l'avènement d'un futur candidat à la présidence. Mais peu d'entre eux auraient imaginé une ascension aussi fulgurante. Voici les réflexions d'un observateur politique avisé, qui a bénévolement collaboré au projet de changement de Barack Obama.

"The fierce urgency of now," a phrase associated with Dr. Martin Luther King, has come to define the nature of the candidacy of the new president-elect of the United States, Barack Obama. On January 20, when he takes the oath of office on the steps of the West Front of the US Capitol, it will be the culminating moment of a journey that began in February 2007, when he announced his candidacy for the Democratic nomination on the steps of another capitol, the old legislature building in Springfield, Illinois. This will be the concluding moment of what Obama himself has called his unlikely journey. Along the way, he signed up millions of volunteers, including me, in his movement for change. And he changed forever the way political campaigns will be conducted. If Franklin Roosevelt was the first president to use radio, and John F. Kennedy the first to use television well, Obama is the first candidate to effectively channel the new platforms of the Internet. (I would become one of 10 million people on his e-mail listserv.) This is to say nothing of the compelling nature of his narrative, or the sheer power of his oratorical skills. I have been around politics most of my life, and served as a chief of staff to two premiers of Quebec, Robert Bourassa and Daniel Johnson. But Obama is, quite simply, the best candidate I've ever seen.

Few thought in late 2007 that this was meant to be his moment. After two terms of the controversial Bush presidency, with two wars being conducted in the context of the overall war on terror, an increasingly sliding economy and mid-term election results leading to the Democratic Party's control of Congress, it was obvious that 2008 would be the year of change and the year when a Democrat could once again become president.

Eight years after Bill Clinton left office, it seemed quite possible and even likely that another Clinton would become the 44th president of the United States, thereby joining both the Adams family and the Bush family in providing a second occupant from the same family to the White House. Yes, 2008 was to be the year of the first woman commander-in-chief, Senator Hillary Clinton of New York.

While the journey that has led Barack Obama to the presidency is now the subject of countless articles outlining his personal narrative and providing once again an illustration of the so-called American dream being fulfilled, I must admit that my small part in the journey began in August 2004 at the Democratic National Convention held in Boston, where Senator John Kerry of Massachusetts was chosen the party nominee against George W. Bush for the November presidential showdown of that year.

I was invited by Radio-Canada, to be an analyst at the convention. It was my second US convention and I was scheduled to do the Republicans' event in New York the

following week. The talk was all about the newly formed Kerry-Edwards ticket and whether President Bush would join his father and be a one-term president.

The atmosphere in Boston was electric. An authentic war hero was about to be nominated for the presidency, and despite the fact that Bush had made gains during the mid-term election of 2002, Democrats were optimistic that their candidate could win the November election. However, on day one of the 2004 convention, the talk was about the keynote speaker set to open the convention. He was not yet a holder of national office but he was an African American running for the Senate from the state of Illinois. He had, as he would often say, a funny name and many among the delegates would often confuse the order of his name, Obama Barack or Barack Obama. Not to mention Barama Barack!

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The keynote address is usually left to a promising politician who has the role of setting the tone of the convention and creating the needed enthusiasm to build up to the speech on Thursday by the nominee. Mario Cuomo filled the role brilliantly in 1984, and in 1988, an Arkansas governor named William Jefferson Clinton was asked to deliver the keynote address. While Clinton gave a less than stellar performance that year — the loudest applause in his rambling speech came when he said, "In conclusion" — he did become the nominee four years later. So the eyes and ears were on the promising senatorial candidate from Illinois.

Obama's speech, delivered in a clear and most articulate manner just literally stole the show. It was inspirational, it was electrifying, it was unifying, and it clearly set the tone. As he called upon delegates in the Fleet Center and voters at home to change the way of conducting politics in America, he affirmed that it was time to move from the division of red states (Republicans) and blue states (Democrats) and work for the United States of America. It was obvious that this young man had the promise and potential to be a national leader. All the delegates I talked to told me he could be someday the first African-American president.

The impact was immediate. Obama was the star of the convention. His book *Dreams from My Father* was later reissued and soon became a bestseller. His second book, *The Audacity of Hope*, was published to strong reviews and it also became a bestseller. It became obvious that Barack Obama was going to Washington with more than dreams of hope. He was going for the big prize. The question was when.

Soon after Bush won his second term, the occupation of Iraq deteriorated into a brutal civil war and American casualties mounted. Hurricane Katrina hit in August 2005 and the Bush administration's response was completely ineffectual. It now became clear that the Republicans were on a sliding slope, which culminated in their losing both houses of Congress in the 2006 mid-term elections. The year 2008 was to see the first election since 1952 where no incumbent president or vice-president was seeking office. The Republicans, however, seemed out of touch, less prepared and less in tune with voters for the contest. The Democrats, on the other hand, were energized by their mid-term success and soon the new coterie of candidates began to emerge. Eventually, eight candidates remained in the race by the end of 2007. However, only three were considered in the top tier, front-runner Hillary Clinton, former 2004 vice-presidential candidate, John Edwards and yes, the first-term senator from Illinois with the "funny" name, Barack Obama.

While my fascination with Obama began at the 2004 convention, I actually was surprised that he would decide to run without completing his first term as senator. He decided to announce on February 10, 2007, in Springfield, Illinois. I immediately took notice and became enthusiastic about his candidacy and his chances. His was a candidacy that went beyond the culture wars that had characterized US politics since the sixties.

I had intended to be involved in the 2008 presidential primary process for the Democrats as I had done in 2000 and 2004. My goal was to choose a candidate who responded to my values and hopes as an outsider from Canada. The primary objective was more to learn about the process of choosing a nominee and eventually a president. Being a Canadian, I had no right to vote but I regarded America as an important force in the world in the dealing with issues of war and peace, the environment and, mostly, moral leadership.

Like many, I was struck by the events of 9/11 and believed that the United States of America was correct in its initial response. The year 2008 was about to be historic, with the first woman candidate with a serious chance of winning and the first African-American candidate who