



Government
— of —
Saskatchewan

Minister of Environment

Legislative Building
Regina, Canada S4S 0B3

February 28, 2018

Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
Centre Block, Suite 433C
House of Commons
OTTAWA ON K1A 0A6

Honourable William Francis Morneau
Department of Finance Canada
90 Elgin Street
OTTAWA ON K1A 0G5

Dear Ministers McKenna and Morneau:

We support the Government of Canada's commitments under the Paris Agreement and the importance of sub-national efforts to address climate change. However, we need government leadership that makes our environment, economies, and communities more resilient to the effects of climate change – not more vulnerable.

In December 2017, the Government of Saskatchewan released *Prairie Resilience: A Made in Saskatchewan Climate Change Strategy*. Our strategy includes commitments to reduce greenhouse gas emissions. However, actions to address climate change have to be about more than emissions reduction. Our approach is one designed to make Saskatchewan more resilient to the climatic, economic and policy impacts of climate change.

The imposition of a federal carbon tax will not make Saskatchewan more resilient to climate change. It will result in carbon leakage, lost jobs, and human vulnerability. Those disadvantaged most will be the ones working hardest to keep up. We are especially concerned about the effects of a federal carbon tax on Indigenous peoples, farmers, and rural residents.

This letter is in response to Canada's deadlines for provinces and territories to sign the Pan-Canadian Framework and be eligible for the Low Carbon Economy Fund and Canada's deadline to accept the federal carbon pricing backstop.

... 2

Pan-Canadian Framework on Clean Growth and Climate Change

The Government of Saskatchewan will not, at this time, be signing the Pan-Canadian Framework. That is largely because the actions of the Government of Canada are inconsistent with the Vancouver Declaration and the spirit of cooperative federalism.

The Vancouver Declaration signed by all of Canada's First Ministers recognized the diversity of provincial economies and the need for fair and flexible approaches to ensure international competitiveness. Unfortunately, that does not seem to be the Government of Canada's interpretation of this principle.

It is important to note – or, in fact, reiterate – that we are not on equal footing across this country. Some jurisdictions have already invested in low carbon technologies such as carbon capture and storage; some regions are blessed with rivers for hydro while others have beds of coal; and some economies are more exposed to international trade. The Government of Canada's one-size-fits-all climate change policy is not about fairness – it's about uniformity and federal control.

The Government of Canada has publicly stated that "relying on a carbon price alone to achieve Canada's international target would require a very high price." This price will be paid by jurisdictions such as Saskatchewan, as Canada imposes a tax without having examined the effects of the backstop on emissions-intense trade exposed economies. In addition, this will be done without having advanced work on adaptation to climate change, without creating transition strategies for businesses and labour, and without a full national consensus on the way forward.

We are in receipt of your letter and aware of your recent public statements suggesting that signing the Pan-Canadian Framework does not commit Saskatchewan to any particular carbon pricing mechanism. However, as you know, carbon pricing is a central component of the Pan-Canadian Framework, and the Framework clearly states that all provinces will be required to impose a carbon price at the federally-mandated levels.

While Saskatchewan supports many of the goals and objectives of the Pan-Canadian Framework, we do not agree that a carbon tax must be a central component of an effective climate change plan in every province. Therefore, we are not prepared to sign the Framework as it is currently written.

Even though we will not be signing the Pan-Canadian Framework by your deadline, Saskatchewan should still receive its \$62M allocation under the Low Carbon Economy Fund. These are tax dollars paid to the Government of Canada by provincial residents. Therefore, Saskatchewan people should be eligible to benefit from this funding. Attached is the list of the priorities that have already been communicated to you in August 2017.

Carbon Pricing Backstop

The Government of Saskatchewan will not be requesting the federal backstop to be imposed on our province. Consistent with our commitments in *Prairie Resilience*, we will be enacting sector-specific emissions performance standards on large emitters and enhancing overall resilience. We will not be putting a tax on people.

The Government of Canada wants to impose a carbon tax in a manner and at a rate decided by Ottawa alone. The federal government's approach causes harm to the economy without benefit to the environment. A \$50 per tonne tax will not change behaviors and reduce emissions. In fact, even a tax of \$200 per tonne would only get Canada less than half-way to its Paris commitments.¹ The federal carbon tax will not benefit the environment, it will simply cause hardship and make people less resilient to the effects of climate change.

The Government of Canada is proposing legislation that will recycle revenues to provincial governments only when that government agrees to do things Ottawa's way. If the federal government actually believed in the re-investment of tax dollars in innovation and technology to reduce emissions, it would seek a policy approach based on cooperation not retribution.

Saskatchewan will, if necessary, take legal measures to ensure that provincial actions to address climate change are not undermined by a federal law that is uncooperative, unprincipled, and unconstitutional.

A Way Forward

Despite our fundamental disagreement on a federal carbon tax, we invite your government to partner with us to find real solutions to climate change and work together to meet Canada's commitments under the Paris Agreement.

...4

¹ Conference Board of Canada, *The Cost of a Cleaner Future: Examining the Economic Impacts of Reducing GHG Emissions* (September 2017).

The Government of Saskatchewan is moving ahead to act on the commitments made in *Prairie Resilience*.

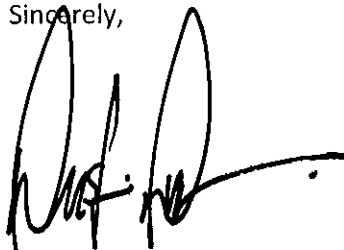
Saskatchewan has already enacted regulations on emissions from electricity generation. Saskatchewan's results-based approach will meet or exceed federal emission reduction targets and enable flexible management of SaskPower's generation fleet. We look forward to signing an equivalency agreement on coal-fired generation with the Government of Canada.

Saskatchewan has also committed to bring forward regulations on emissions from upstream oil and gas activity. Saskatchewan's results-based approach will meet or exceed federal emission reduction targets and enable flexible adjustment for the oil and gas industry. We look forward to signing an equivalency agreement on methane emissions with the Government of Canada.

We expect that you will recognize these actions as effective measures to reduce emissions and address climate change without a federally-imposed carbon tax, and therefore, not impose the federal backstop on Saskatchewan families and businesses.

Climate change is a shared challenge. The Canadian federation best meets its challenges when jurisdictions have the flexibility to innovate and bring forward solutions. I hope that the Government of Canada considers a more collaborative path forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dustin Duncan', with a long horizontal flourish extending to the right.

Dustin Duncan
Minister of Environment
Government of Saskatchewan

Enclosure